



Dave Yost • Auditor of State

**CITY OF URBANA
CHAMPAIGN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

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, (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and required *budgetary comparison schedules*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 2, 2011

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$28.3 million (net assets). Of this amount, approximately \$2.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$876,117, or 3%, 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 \$4.7 million, an increase of approximately \$1.4 million in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$607,314, or 12% of total general fund expenditures.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

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

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

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

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

The City maintains 36 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, Street Fund, Police and Fire Levy Fund, Fox River Development Fund, Scioto Street Reconstruction Fund, Capital Improvements Fund, and Perpetual Investment Fund, each of which are considered to be major funds. Data from the other 29 governmental funds are combined into a single, aggregated presentation. Individual data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

**CITY OF URBANA, OHIO
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**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

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

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with budgetary law. Required supplementary information can be found on pages 52-58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 shows the detail of the City's net assets at December 31, 2010 and 2009.

**TABLE 1
Net Assets**

	Governmental Activites		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 7,342,767	\$ 7,182,841	\$ 1,454,991	\$ 1,142,107	\$ 8,797,758	\$ 8,324,948
Capital assets	23,502,107	23,573,382	15,910,217	15,783,240	39,412,324	39,356,622
Total Assets	<u>30,844,874</u>	<u>30,756,223</u>	<u>17,365,208</u>	<u>16,925,347</u>	<u>48,210,082</u>	<u>47,681,570</u>
Current and other liabilities	2,488,289	1,264,449	1,122,492	312,182	3,610,781	1,576,631
Long-term liabilities	4,940,471	5,509,862	12,216,204	12,276,334	17,156,675	17,786,196
Total Liabilities	<u>7,428,760</u>	<u>6,774,311</u>	<u>13,338,696</u>	<u>12,588,516</u>	<u>20,767,456</u>	<u>19,362,827</u>
Net Assets:						
Invested in capital assets, net of related debt	20,316,026	20,437,644	3,060,380	3,630,790	23,376,406	24,068,434
Restricted	1,604,680	2,059,563	-	-	1,604,680	2,059,563
Unrestricted	1,495,408	1,484,705	966,132	706,041	2,461,540	2,190,746
Total Net Assets	<u>\$ 23,416,114</u>	<u>\$ 23,981,912</u>	<u>\$ 4,026,512</u>	<u>\$ 4,336,831</u>	<u>\$ 27,442,626</u>	<u>\$ 28,318,743</u>

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by approximately \$28.3 million at the close of the most recent fiscal year.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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The significant decrease in current and other liabilities is the result of decreases in accounts payable and notes payable. Accounts payable decreased significantly as a result of the Scioto Street Reconstruction Project wrapping up early in calendar year 2010. Notes payable decreased significantly as a result of the City issuing long-term debt to replace bond anticipation notes during calendar year 2010. The issuance of long-term debt is also the cause of the increase in long-term liabilities.

By far the largest portion of the City's net assets (85 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 assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (approximately \$2.2 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Table 2 details the changes in net assets for the fiscal years ended December 31, 2010 and 2009.

**TABLE 2
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Program Revenues:						
Charges for Service	\$ 1,890,596	\$ 2,094,967	\$ 3,668,864	\$ 4,049,145	\$ 5,559,460	\$ 6,144,112
Operating Grants	1,187,753	1,167,975	-	-	1,187,753	1,167,975
Capital Grants	1,922,330	1,292,859	141,605	-	2,063,935	1,292,859
General Revenues:						
Income Taxes	4,645,885	4,698,427	-	-	4,645,885	4,698,427
Property Taxes	588,171	669,721	-	-	588,171	669,721
Other Taxes	173,465	176,651	-	-	173,465	176,651
Unrestricted Grants	582,350	600,819	-	-	582,350	600,819
Investment Earnings	130,997	59,794	-	2,994	130,997	62,788
Other	462,160	217,167	-	-	462,160	217,167
Total Revenues	11,583,707	10,978,380	3,810,469	4,052,139	15,394,176	15,030,519
Expenses:						
General Government	2,205,693	2,152,875	-	-	2,205,693	2,152,875
Public Safety	5,187,549	5,086,996	-	-	5,187,549	5,086,996
Health	312,817	260,327	-	-	312,817	260,327
Transportation	2,102,715	2,123,662	-	-	2,102,715	2,123,662
Community Development	365,117	303,018	-	-	365,117	303,018
Leisure Activities	450,070	397,866	-	-	450,070	397,866
Interest on Long-Term Debt	125,462	171,906	-	-	125,462	171,906
Water	-	-	1,463,974	1,788,548	1,463,974	1,788,548
Sewer	-	-	1,843,345	1,728,719	1,843,345	1,728,719
Recycling Program	-	-	153,257	140,485	153,257	140,485
Total Expenses	10,749,423	10,496,650	3,460,576	3,657,752	14,209,999	14,154,402
Change in Net Assets before Transfers	834,284	481,730	349,893	394,387	1,184,177	876,117
Transfers	-	84,068	-	(84,068)	-	-
Change in Net Assets	834,284	565,798	349,893	310,319	1,184,177	876,117
Net assets, Beginning	22,581,830	23,416,114	3,676,619	4,026,512	26,258,449	27,442,626
Net assets, Ending	\$ 23,416,114	\$ 23,981,912	\$ 4,026,512	\$ 4,336,831	\$27,442,626	\$28,318,743

Governmental Activities. Governmental activities increased the City's net assets by \$565,798, thereby accounting for 65 percent of the total growth in net assets of the City. Capital grants decreased approximately \$629,000 due to the City having less significant projects occurring in 2010. Expenses remained constant from 2009 to 2010 with a decrease of 2 percent.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Business-type Activities. Business-type activities increased the City's net assets by \$310,319, accounting for 35 percent of the total growth in the City's net assets. This increase was primarily the result of a rate increase for water and sewer charges offset by expenses.

During the fiscal year, expenses of the City's business-type activities increased by \$197,176, or 6%, primarily as a result of the increase in water and sewer rates allowing the City to better service its patrons.

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
Governmental Activities:				
General Government	\$ (2,205,693)	\$ (2,152,875)	\$ (1,097,717)	\$ (1,231,949)
Public Safety	(5,187,549)	(5,086,996)	(4,483,286)	(4,214,782)
Transportation	(2,102,715)	(2,123,662)	515,149	(1,028,386)
Community Development	(365,117)	(303,018)	(13,718)	1,208,060
Leisure Activities	(450,070)	(397,866)	(328,566)	(340,521)
All Other	(438,279)	(432,233)	(340,606)	(333,271)
Total Governmental Activities	(10,749,423)	(10,496,650)	(5,748,744)	(5,940,849)
Business-Type Activities:				
Water	(1,463,974)	(1,788,548)	317,540	(86,969)
Sewer	(1,843,345)	(1,728,719)	21,661	454,903
Recycling Program	(153,257)	(140,485)	10,692	23,459
Total Business-Type Activities	(3,460,576)	(3,657,752)	349,893	391,393
Grand Total	\$ (14,209,999)	\$ (14,154,402)	\$ (5,398,851)	\$ (5,549,456)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$4.7million, an approximate \$1.4 million increase from the previous year.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 and 2009.

	Fund Balance 12/31/2009	Fund Balance 12/31/2010	Increase (Decrease)
General	\$ 771,344	\$ 805,037	\$ 33,693
Street	94,800	49,601	(45,199)
Police and Fire Levy	340,763	136,547	(204,216)
Fox River Development	27,106	30,975	3,869
Scioto Street Reconstruction	(537,752)	-	537,752
Capital improvement	(194,919)	509,283	704,202
Perpetual Investment	1,877,353	1,877,353	-
Other Governmental	907,385	1,277,243	369,858
Total	<u>\$ 3,286,080</u>	<u>\$ 4,686,039</u>	<u>\$ 1,399,959</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$607,314, 75% of the total fund balance. The fund balance of the City's general fund increased \$33,693 during the current fiscal year, or 4%, from the previous year.

Interest revenues decreased \$148,618, or 71%, primarily as a result of economic conditions affecting returns on deposits and investments.

Expenditures decreased \$383,647, or 7%, primarily as a result of decreased spending due to the projections of decreasing revenue.

The Street Fund accounts for the accumulation of financial resources to be used for the repairs and maintenance of roads maintained by the City. The street funds' fund balance decreased \$45,199 during the fiscal year. This decrease represents the amount by which expenditures exceeded subsidy transfers from the general fund.

The Police and Fire Levy Fund accounts for the income tax for additional patrolmen and firefighters that the General Fund can not financially support. The police and fire levy funds' fund balance decreased \$204,216 during the fiscal year. This decrease represents the amount by which expenditures outstripped income tax revenues.

The Fox River Development Fund accounts for the grant and local monies for the cleanup and remediation of the former Fox River property. The Fox River Development Funds' fund balance increased \$3,869 during the fiscal year. This increase represents the amount by which grant and contributions outstripped expenditures.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

The Scioto Street Reconstruction Fund accounts for grant and local receipts and expenditures related to the reconstruction of Scioto Street. The Scioto Street Reconstruction Funds' fund balance increased \$537,752 during the fiscal year. This decrease represents the amount by which grant and local receipts outstripped expenditures.

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 \$704,202 during the fiscal year. This increase mainly represents the amount of bond proceeds received during the year.

The Perpetual Investment Fund had no activity during the fiscal year and maintained a fund balance of \$1,877,353.

The fund balance of the City's Other Governmental Funds increased \$369,858 during the fiscal year. This increase is primarily the result of bond proceeds received during the year.

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 assets in the Water Revenue Fund at the end of the year amounted to \$475,275. Total net assets decreased \$85,950, or 3%, from the previous year.

Unrestricted net assets in the Sewer Revenue fund at the end of the year amounted to \$181,625. Total net assets increased \$456,878, or 48%, from the previous year.

Unrestricted net assets in the Recycling Program Fund at the end of the year amounted to \$49,141. Total net assets decreased \$60,609 or 55%, from the previous year. This decrease is the amount by which program expenses and transfers 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 final amended revenue estimate was increased \$17,120, or 3%, during the fiscal year and final appropriations exceeded the original resolution by \$98,645, or 2%. The City's final amended revenue and other sources exceeded actual revenues and other sources by \$336,514, or 5%, and final amended appropriations exceeded actual expenditures and other uses by \$95,571, or 2%.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to approximately \$39.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were approximately \$1.9 million and depreciation was approximately \$1.9 million.

Detailed information regarding capital asset activity is included in the Note 7 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total debt outstanding of approximately \$15.3 million. Of this amount, \$4 million represents bonds backed by the full faith and credit of the City. The remaining \$11.3 million of the City's debt represents loans in the City's name.

Detailed information regarding long-term debt is included in Note 8 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 J. Lee Williams, Finance Director, 205 South Main Street, Urbana, Ohio 43078.

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Investments	\$ 4,197,085	\$ 469,592	\$ 4,666,677
Receivables:			
Income Tax	1,039,356	-	1,039,356
Property Tax	722,628	-	722,628
Interest	34,975	-	34,975
Accounts	363,996	579,633	943,629
Other	29,646	-	29,646
Due From Other Governments	619,248	-	619,248
Inventory	82,460	88,102	170,562
Prepaid Assets	25,895	7,404	33,299
Internal Balances	3,321	(3,321)	-
Deferred Bond Issuance Costs	64,231	697	64,928
Capital Assets:			
Non-Depreciable	4,880,848	949,796	5,830,644
Depreciable	18,692,534	14,833,444	33,525,978
Total Assets	30,756,223	16,925,347	47,681,570
Liabilities			
Accounts Payable	48,704	61,092	109,796
Accrued Wages and Benefits	170,137	29,940	200,077
Due To Other Governments	443,321	48,841	492,162
Interest Payable	25,614	172,309	197,923
Unearned Revenue	576,673	-	576,673
Long-term Liabilities			
Due within one year	894,644	1,129,906	2,024,550
Due in more than one year	4,615,218	11,146,428	15,761,646
Total Liabilities	6,774,311	12,588,516	19,362,827
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,437,644	3,630,790	24,068,434
Restricted for:			
Capital Projects	911,063	-	911,063
Transportation Programs	359,482	-	359,482
Public Safety Programs	463,159	-	463,159
Health Programs	20,581	-	20,581
Permanent Endowments	115,011	-	115,011
Grant Programs	190,267	-	190,267
Unrestricted	1,484,705	706,041	2,190,746
Total Net Assets	\$ 23,981,912	\$ 4,336,831	\$ 28,318,743

See accompanying notes to the basic financial statements

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Public Safety	\$ 5,086,996	\$ 718,544	\$ 153,670	\$ -
Health	260,327	98,962	-	-
Leisure Time	397,866	57,345	-	-
Community Development	303,018	-	311,078	1,200,000
Transportation	2,123,662	334,517	667,900	92,859
General Government	2,152,875	885,599	35,327	-
Interest on Debt	171,906	-	-	-
Total Governmental Activities	<u>10,496,650</u>	<u>2,094,967</u>	<u>1,167,975</u>	<u>1,292,859</u>
Business-type Activities:				
Water	1,788,548	1,701,579	-	-
Sewer	1,728,719	2,183,622	-	-
Recycling Program	140,485	163,944	-	-
Total Business-type Activities	<u>3,657,752</u>	<u>4,049,145</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 14,154,402</u>	<u>\$ 6,144,112</u>	<u>\$ 1,167,975</u>	<u>\$ 1,292,859</u>

General Revenues:
Property Taxes
Income Taxes
Payments in Lieu of Taxes
Interest Earnings
Grants and Contributions Unrestricted
Other Unrestricted
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net assets at beginning of year
Net assets at end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,214,782)	\$ -	\$ (4,214,782)
(161,365)	-	(161,365)
(340,521)	-	(340,521)
1,208,060	-	1,208,060
(1,028,386)	-	(1,028,386)
(1,231,949)	-	(1,231,949)
(171,906)	-	(171,906)
<u>(5,940,849)</u>	<u>-</u>	<u>(5,940,849)</u>
-	(86,969)	(86,969)
-	454,903	454,903
-	23,459	23,459
<u>-</u>	<u>391,393</u>	<u>391,393</u>
<u>\$ (5,940,849)</u>	<u>\$ 391,393</u>	<u>\$ (5,549,456)</u>
669,721	-	669,721
4,698,427	-	4,698,427
176,651	-	176,651
59,794	2,994	62,788
600,819	-	600,819
217,167	-	217,167
84,068	(84,068)	-
<u>6,506,647</u>	<u>(81,074)</u>	<u>6,425,573</u>
565,798	310,319	876,117
23,416,114	4,026,512	27,442,626
<u>\$ 23,981,912</u>	<u>\$ 4,336,831</u>	<u>\$ 28,318,743</u>

See accompanying notes to the basic financial statements

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2010

	General Fund	Street Fund	Police & Fire Levy Fund	Fox River Development Fund
Assets:				
Pooled Cash and Investments	\$ 407,993	\$ 13,018	\$ 113,817	\$ 30,975
Receivables:				
Income Tax	556,798	-	222,719	-
Property Tax	593,852	-	-	-
Interest	34,975	-	-	-
Accounts	321,758	-	-	-
Notes	-	-	-	-
Due From Other Governments	325,495	234,621	-	-
Due From Other Funds	27,989	-	-	-
Inventory	26,894	36,022	-	-
Prepaid Assets	21,144	3,321	-	-
Advances To Other Funds	141,460	-	-	-
Total Assets	\$ 2,458,358	\$ 286,982	\$ 336,536	\$ 30,975
Liabilities:				
Accounts Payable	\$ 25,087	\$ 19,320	\$ 870	\$ -
Accrued Wages and Benefits	117,905	14,554	30,276	-
Due To Other Governments	316,407	25,619	86,109	-
Due To Other Funds	-	-	-	-
Matured Compensated Absences	18,896	20,093	-	-
Deferred Revenue	1,175,026	157,795	82,734	-
Advances From Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	1,653,321	237,381	199,989	-
Fund Balances:				
Reserved for:				
Inventory	26,894	36,022	-	-
Encumbrances	8,225	-	7,685	-
Advances	141,460	-	-	-
Notes	-	-	-	-
Prepays	21,144	3,321	-	-
Perpetual Care	-	-	-	-
Unreserved, reported in:				
General Fund	607,314	-	-	-
Special Revenue Funds	-	10,258	128,862	-
Permanent Funds	-	-	-	-
Capital Project Fund	-	-	-	30,975
Total Fund Balances	805,037	49,601	136,547	30,975
Total Liabilities and Fund Balances	\$ 2,458,358	\$ 286,982	\$ 336,536	\$ 30,975

See accompanying notes to the basic financial statements

Scioto Street Reconstruction Fund	Capital Improvement Fund	Perpetual Investment Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 529,919	\$ 1,877,353	\$ 1,224,010	\$ 4,197,085
-	185,599	-	74,240	1,039,356
-	-	-	128,776	722,628
-	-	-	-	34,975
-	-	-	42,238	363,996
-	-	-	29,646	29,646
-	4,440	-	54,692	619,248
-	-	-	-	27,989
-	-	-	19,544	82,460
-	-	-	1,430	25,895
-	-	-	-	141,460
<u>\$ -</u>	<u>\$ 719,958</u>	<u>\$ 1,877,353</u>	<u>\$ 1,574,576</u>	<u>\$ 7,284,738</u>
\$ -	\$ 270	\$ -	\$ 3,157	\$ 48,704
-	-	-	7,402	170,137
-	-	-	15,186	443,321
-	-	-	24,668	24,668
-	-	-	-	38,989
-	68,945	-	205,664	1,690,164
-	141,460	-	-	141,460
-	-	-	41,256	41,256
-	210,675	-	297,333	2,598,699
-	-	-	19,544	82,460
-	18,195	-	5,458	39,563
-	-	-	-	141,460
-	-	-	29,646	29,646
-	-	-	1,430	25,895
-	-	-	88,382	88,382
-	-	-	-	607,314
-	-	-	831,872	970,992
-	-	-	26,629	26,629
-	491,088	1,877,353	274,282	2,673,698
-	509,283	1,877,353	1,277,243	4,686,039
<u>\$ -</u>	<u>\$ 719,958</u>	<u>\$ 1,877,353</u>	<u>\$ 1,574,576</u>	<u>\$ 7,284,738</u>

See accompanying notes to the basic financial statements

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total Governmental Fund Balances \$ 4,686,039

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 23,573,382

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds.

Income Taxes Receivable	386,092
Property Taxes Receivable	162,375
Intergovernmental Receivable	427,787
Accounts Receivable - Ambulance	140,445
Accounts Receivable - Cemetery	19,275
Interest Receivable	18,773

Governmental funds report the effect of bond issuance costs, premiums,
discounts, and similar items when debt is first issued, whereas these
amounts are deferred and amortized in the statement of net assets.

Unamortized Bond Issuance Costs	64,231
Unamortized Premium on Bonds	(23,648)

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	(896,244)
General obligation debt	(4,550,981)
Accrued interest payable	(25,614)

Net Assets of Governmental Activities \$ 23,981,912

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, 2010

	General Fund	Street Fund	Police & Fire Levy Fund	Fox River Development
Revenues:				
Income Taxes	\$ 2,505,795	\$ -	\$ 1,002,317	\$ -
Property Taxes	480,920	-	-	-
Intergovernmental	767,037	499,654	-	1,000,000
Charges for Services	731,633	-	-	-
Fines, Licenses, and Permits	648,241	-	-	-
Interest	61,226	-	-	-
Miscellaneous	68,165	1,367	41,903	8
Total revenues	5,263,017	501,021	1,044,220	1,000,008
Expenditures:				
Current:				
Public Safety	3,228,784	-	1,210,116	-
Health	44,879	-	-	-
Leisure Time	269,494	-	-	-
Community Development	-	-	-	-
Transportation	-	631,220	-	-
General Government	1,640,235	-	-	-
Capital Outlay	-	-	38,320	1,196,139
Debt service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	5,183,392	631,220	1,248,436	1,196,139
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,625	(130,199)	(204,216)	(196,131)
Other Financing Sources (Uses):				
Proceeds from the Issuance of Bonds	-	-	-	-
Premium on Bonds	-	-	-	-
Contributions	-	-	-	200,000
Transfers In	84,068	85,000	-	-
Transfers Out	(130,000)	-	-	-
Total Other Financing Sources (Uses)	(45,932)	85,000	-	200,000
Net Change in Fund Balances	33,693	(45,199)	(204,216)	3,869
Fund Balance at Beginning of Year	771,344	94,800	340,763	27,106
Fund Balance at End of Year	\$ 805,037	\$ 49,601	\$ 136,547	\$ 30,975

See accompanying notes to the basic financial statements

Scioto Street Reconstruction Fund	Capital Improvement Fund	Perpetual Investment Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 835,264	\$ -	\$ 334,106	\$ 4,677,482
-	-	-	89,266	570,186
539,045	46,631	-	692,335	3,544,702
-	-	-	338,023	1,069,656
-	-	-	243,505	891,746
-	-	-	2,172	63,398
-	67,964	-	133,901	313,308
<u>539,045</u>	<u>949,859</u>	<u>-</u>	<u>1,833,308</u>	<u>11,130,478</u>
-	-	-	297,899	4,736,799
-	-	-	160,261	205,140
-	-	-	-	269,494
-	-	-	303,018	303,018
-	166,981	-	469,412	1,267,613
-	259,300	-	89,020	1,988,555
1,293	262,558	-	104,993	1,603,303
-	71,966	-	500,000	571,966
-	47,412	-	108,847	156,259
<u>1,293</u>	<u>808,217</u>	<u>-</u>	<u>2,033,450</u>	<u>11,102,147</u>
537,752	141,642	-	(200,142)	28,331
-	560,000	-	525,000	1,085,000
-	2,560	-	-	2,560
-	-	-	-	200,000
-	-	-	45,000	214,068
-	-	-	-	(130,000)
<u>-</u>	<u>562,560</u>	<u>-</u>	<u>570,000</u>	<u>1,371,628</u>
537,752	704,202	-	369,858	1,399,959
<u>(537,752)</u>	<u>(194,919)</u>	<u>1,877,353</u>	<u>907,385</u>	<u>3,286,080</u>
<u>\$ -</u>	<u>\$ 509,283</u>	<u>\$ 1,877,353</u>	<u>\$ 1,277,243</u>	<u>\$ 4,686,039</u>

See accompanying notes to the basic financial statements

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 1,399,959									
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>										
Governmental funds report capital outlays as expenditures.										
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.										
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 10%; text-align: right;">Capital Outlays</td> <td style="width: 10%; text-align: right;">1,581,871</td> </tr> <tr> <td></td> <td style="text-align: right;">Depreciation Expense</td> <td style="text-align: right;">(1,496,224)</td> </tr> </table>		Capital Outlays	1,581,871		Depreciation Expense	(1,496,224)			
	Capital Outlays	1,581,871								
	Depreciation Expense	(1,496,224)								
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets.	(14,372)									
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(354,658)									
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	635,407									
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 10%; text-align: right;">Issuance of Bonds</td> <td style="width: 10%; text-align: right;">(1,085,000)</td> </tr> <tr> <td></td> <td style="text-align: right;">Amortization of bond issuance costs</td> <td style="text-align: right;">(14,648)</td> </tr> <tr> <td></td> <td style="text-align: right;">Amortization of premium on bonds</td> <td style="text-align: right;">4,729</td> </tr> </table>		Issuance of Bonds	(1,085,000)		Amortization of bond issuance costs	(14,648)		Amortization of premium on bonds	4,729
	Issuance of Bonds	(1,085,000)								
	Amortization of bond issuance costs	(14,648)								
	Amortization of premium on bonds	4,729								
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 10%; text-align: right;">Compensated absences</td> <td style="width: 10%; text-align: right;">(85,538)</td> </tr> <tr> <td></td> <td style="text-align: right;">Accrued interest</td> <td style="text-align: right;">(5,728)</td> </tr> </table>		Compensated absences	(85,538)		Accrued interest	(5,728)			
	Compensated absences	(85,538)								
	Accrued interest	(5,728)								
Change in Net Assets of Governmental Activities	<u><u>\$ 565,798</u></u>									

See accompanying notes to the basic financial statements

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 424,647	\$ -	\$ 44,945	\$ 469,592
Receivables:				
Accounts	228,466	346,971	4,196	579,633
Inventory	56,441	31,661	-	88,102
Prepaid Assets	2,162	5,242	-	7,404
Total Current Assets	<u>711,716</u>	<u>383,874</u>	<u>49,141</u>	<u>1,144,731</u>
Noncurrent Assets:				
Depreciable Capital Assets, Net	9,561,106	5,272,338	-	14,833,444
Non-Depreciable Capital Assets	460,028	489,768	-	949,796
Deferred Bond Issuance Costs	-	697	-	697
Total Noncurrent Assets	<u>10,021,134</u>	<u>5,762,803</u>	<u>-</u>	<u>15,783,937</u>
Total Assets	<u>10,732,850</u>	<u>6,146,677</u>	<u>49,141</u>	<u>16,928,668</u>
Liabilities				
Current Liabilities:				
Accounts Payable	36,923	24,169	-	61,092
Accrued Wages and Benefits	16,490	13,450	-	29,940
Due to Other Governments	25,735	23,106	-	48,841
Accrued Interest payable	98,091	74,218	-	172,309
Accrued Vacation and Sick Leave	31,373	35,738	-	67,111
Bonds Payable	105,712	21,217	-	126,929
Loan Payable	288,664	647,202	-	935,866
Due to Other Funds	-	3,321	-	3,321
Total Current Liabilities	<u>602,988</u>	<u>842,421</u>	<u>-</u>	<u>1,445,409</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	27,829	28,944	-	56,773
Bonds Payable	679,288	493,783	-	1,173,071
Loan Payable	6,537,003	3,379,581	-	9,916,584
Total Noncurrent Liabilities	<u>7,244,120</u>	<u>3,902,308</u>	<u>-</u>	<u>11,146,428</u>
Total Liabilities	<u>7,847,108</u>	<u>4,744,729</u>	<u>-</u>	<u>12,591,837</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,410,467	1,220,323	-	3,630,790
Unrestricted	475,275	181,625	49,141	706,041
Total Net Assets	<u>\$ 2,885,742</u>	<u>\$ 1,401,948</u>	<u>\$ 49,141</u>	<u>\$ 4,336,831</u>

See accompanying notes to the basic financial statements

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$ 1,701,579	\$ 2,183,622	\$ 163,944	\$ 4,049,145
Total Operating Revenues	<u>1,701,579</u>	<u>2,183,622</u>	<u>163,944</u>	<u>4,049,145</u>
Operating Expenses				
Personal Services	509,532	534,392	-	1,043,924
Contractual Services	472,593	463,652	140,485	1,076,730
Supplies and Materials	23,108	105,802	-	128,910
Administrative Fees	331,752	222,536	-	554,288
Depreciation	239,794	201,282	-	441,076
Total Operating Expenses	<u>1,576,779</u>	<u>1,527,664</u>	<u>140,485</u>	<u>3,244,928</u>
Operating Income	<u>124,800</u>	<u>655,958</u>	<u>23,459</u>	<u>804,217</u>
Nonoperating Revenues (Expenses)				
Premium on Bonds	1,019	1,975	-	2,994
Loss on Disposal of Assets	(1,021)	-	-	(1,021)
Interest Expense	(210,748)	(201,055)	-	(411,803)
Transfers Out	-	-	(84,068)	(84,068)
Total Non-Operating Revenues (Expenses)	<u>(210,750)</u>	<u>(199,080)</u>	<u>(84,068)</u>	<u>(493,898)</u>
Change in Net Assets	<u>(85,950)</u>	<u>456,878</u>	<u>(60,609)</u>	<u>310,319</u>
Net Assets at Beginning of Year	2,971,692	945,070	109,750	4,026,512
Net Assets at End of Year	<u>\$ 2,885,742</u>	<u>\$ 1,401,948</u>	<u>\$ 49,141</u>	<u>\$ 4,336,831</u>

See accompanying notes to the basic financial statements

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Recycling Program	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,684,270	\$ 2,131,952	\$ 163,713	\$ 3,979,935
Cash paid to employees	(493,896)	(530,369)	-	(1,024,265)
Cash paid to suppliers	(484,031)	(600,933)	(153,256)	(1,238,220)
Cash paid for other expenses	(331,752)	(222,536)	-	(554,288)
Net cash flows from operating activities	<u>374,591</u>	<u>778,114</u>	<u>10,457</u>	<u>1,163,162</u>
Cash Flows from Noncapital Financing Activities				
Advances in	-	3,321	-	3,321
Transfers out	-	-	(84,068)	(84,068)
Net cash flows from noncapital financing activities	<u>-</u>	<u>3,321</u>	<u>(84,068)</u>	<u>(80,747)</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(200,070)	(125,050)	-	(325,120)
Payment of debt	(661,373)	(1,080,019)	-	(1,741,392)
Payment of interest	(233,287)	(189,239)	-	(422,526)
Proceeds from loans	162,926	85,149	-	248,075
Proceeds from bonds	260,000	515,000	-	775,000
Premium on bonds	1,019	1,975	-	2,994
Net cash flows from capital and related financing activities	<u>(670,785)</u>	<u>(792,184)</u>	<u>-</u>	<u>(1,462,969)</u>
Net change in cash	(296,194)	(10,749)	(73,611)	(380,554)
Cash and cash equivalents at beginning of year	720,841	10,749	118,556	850,146
Cash and cash equivalents at end of year	<u>\$ 424,647</u>	<u>\$ -</u>	<u>\$ 44,945</u>	<u>\$ 469,592</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Operating income	\$ 124,800	\$ 655,958	\$ 23,459	\$ 804,217
Add depreciation expense	239,794	201,282	-	441,076
(Increase)/Decrease in current assets				
Accounts receivable	(17,309)	(51,670)	(231)	(69,210)
Prepaid items	866	2,050	-	2,916
Material and supply inventory	(5,325)	(363)	-	(5,688)
Increase/(Decrease) in current liabilities				
Accounts payable	16,129	(33,166)	(12,771)	(29,808)
Accrued wages and benefits	4,792	671	-	5,463
Accrued vacation and sick Leave	4,280	3,237	-	7,517
Due to other governments	6,564	115	-	6,679
Net Cash Flows from Operating Activities	<u>\$ 374,591</u>	<u>\$ 778,114</u>	<u>\$ 10,457</u>	<u>\$ 1,163,162</u>

See accompanying notes to the basic financial statements

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2010

	<u>Agency Funds</u>
Assets	
Pooled Cash and Investments	\$ 135,436
Total Assets	<u>135,436</u>
Liabilities	
Due to Others	135,436
Total Liabilities	<u>\$ 135,436</u>

See accompanying notes to the basic financial statements

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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 criteria for determining the entity and component units. 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 government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government'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 government. There are no blended or discretely presented component units at December 31, 2010.

Certain units of local governments, over which the City exercises no authority, such as the Champaign County Library, Champaign County Health District and Ohio Hi-Point Joint Vocational School, are other local governmental and non-profit entities with independent elected officials and are excluded from the accompanying basic financial statements. The City is not a component unit of any other entity. Other local governmental entities that overlap the City's boundaries are Champaign County and the Urbana City School District. These entities do not meet the reporting entity criteria and, therefore, are not included in the City's financial reports.

Jointly Governed Organizations

Champaign Countywide Public Safety Communications System Council of Governments

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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 assets 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 government 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

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

Street Fund – To account for state-levied and controlled gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

Police and Fire Tax Levy Fund - To account for the 3/10% income tax for additional patrolmen and firefighters that the General Fund can not financially support.

Fox River Development Fund - To account for revenues and expenditures associated with the acquisition, clean up and remediation of the former Fox River property.

Scioto Street Reconstruction Fund – To account for grant revenues and expenditures associated with the reconstruction of Scioto Street, including paving, curbs, sidewalks, street lighting, and widening.

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

Perpetual Investment Fund - To account for the proceeds from the sale of the City's Gas Lines in 1982. The Fund currently accounts for monies set aside for the 68 by-pass.

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

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

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

(c) *Cash and Cash Equivalents and Investments*

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

For purposes of the statement of cash flows, the City's proprietary funds consider cash equivalents to be pooled cash and investments, cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

(d) *Receivables and Payables*

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *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 fund balance reserve account to indicate that they do not constitute available financial resources and therefore are not available for appropriation.

(f) *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 is included as part of the capitalized value of the assets constructed.

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

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

(g) *Bond Issuance Costs*

Bond issuance costs for proprietary fund types are deferred and amortized over the terms of the bonds using methods that approximate the effective interest method.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) *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.

(i) *Long Term Obligations*

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

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.

(j) *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(k) *Estimates*

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Negative Cash Balances

Ohio Rev. Code Section 5705.10(H) states money paid into any fund shall be used only for the purpose for which such fund is established. Negative fund cash balances indicate money from one fund was used to cover the expenses of another fund.

At September 30, 2010, the City had the following negative cash fund balances:

General Fund	\$ (76,744)
Oak Dale Cemetery Fund	(15,865)
Fox River Development Fund	(920)
Victim Assistance Grant Fund	(8,673)
Capital Police and Fire Fund	(70,901)
Sewer Revenue Fund	(208,577)
Fire Safety Council Fund	(276)
Mausoleum Trust Fund	(105,177)
JAG Grant Fund	(59)

At December 31, 2010, the City had the following negative cash fund balances:

FAA Airport Grant Fund	\$ (12,864)
JAG Grant Fund	(1,159)
Victim Assistance Grant Fund	(10,369)
Fire Safety Council Fund	(276)

Deficit Fund Balances

The following individual fund had deficit fund balances/net assets at December 31, 2010:

Oak Dale Cemetery Fund	\$ (4,407)
FAA Airport Grant Fund	(12,864)
Victim Assistance Grant Fund	(12,258)
Fire Safety Council Fund	(276)
JAG Grant Fund	(1,159)

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

Deposits - At year-end, the carrying amount of the City's deposits was \$4,802,113, which includes certificates of deposit totaling \$2,911,811 and petty cash totaling \$1,109, and the bank balance was \$4,997,890. Of the bank balance, \$705,536 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, \$4,292,354 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 5 – 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 2010 was 1.4% of which 1% was unvoted and 0.4% was voted. The additional 0.4% tax became effective January 1, 1992, and is designated to fund fire and police personnel and capital improvement costs.

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 6 – PROPERTY TAXES

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

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

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

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

The assessed value of the City for tax years 2009 and 2008, upon which the 2010 and 2009 levies were based, were \$193,772,340 and \$203,863,869, respectively.

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

The assessed valuations of the City for tax year 2009, which were used to collect taxes in calendar year 2010, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$188,828,600	97%
Public Utility	<u>4,943,740</u>	<u>3%</u>
Total Assessed Value	<u>\$193,772,340</u>	<u>100%</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 7 – 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	\$ 3,503,076	\$ 1,302,174	\$ -	\$ -	\$ 4,805,250
Construction in Progress	453,553	101,190		(479,145)	75,598
Total Nondepreciable Assets	<u>3,956,629</u>	<u>1,403,364</u>	<u>-</u>	<u>(479,145)</u>	<u>4,880,848</u>
Depreciable Capital Assets					
Building and Improvements	15,475,723	-	-	-	15,475,723
Machinery and Equipment	4,022,083	176,891	(73,501)	-	4,125,473
Infrastructure	16,572,386	1,616	-	479,145	17,053,147
Total Depreciable Assets	<u>36,070,192</u>	<u>178,507</u>	<u>(73,501)</u>	<u>479,145</u>	<u>36,654,343</u>
Less accumulated depreciation					
Building and Improvements	10,069,191	875,369	-	-	10,944,560
Machinery and Equipment	2,942,246	235,806	(59,129)	-	3,118,923
Infrastructure	3,513,277	385,049			3,898,326
Total accumulated depreciation	<u>16,524,714</u>	<u>1,496,224</u>	<u>(59,129)</u>	<u>-</u>	<u>17,961,809</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>19,545,478</u>	<u>(1,317,717)</u>	<u>(14,372)</u>	<u>479,145</u>	<u>18,692,534</u>
Total Capital Assets, Net	<u>\$ 23,502,107</u>	<u>\$ 85,647</u>	<u>\$ (14,372)</u>	<u>\$ -</u>	<u>\$ 23,573,382</u>

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 169,923
Public Safety	208,347
Transportation	959,506
Health	53,187
Leisure Activities	105,261
Total depreciation expense	<u>\$ 1,496,224</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 7 – CAPITAL ASSETS (Continued)

Business Type Activities

Water Revenue Fund	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Land	\$ 460,028	-	-	-	\$ 460,028
Work in Progress	7,788,615	83,966	-	(7,872,581)	-
Total Nondepreciable Assets	<u>8,248,643</u>	<u>83,966</u>	<u>-</u>	<u>(7,872,581)</u>	<u>460,028</u>
Depreciable Capital Assets					
Buildings	10,555,736	-	-	-	10,555,736
Equipment	2,728,293	22,592	(5,508)	-	2,745,377
Infrastructure	941,653	83,512	-	7,872,581	8,897,746
Total Depreciable Assets	<u>14,225,682</u>	<u>106,104</u>	<u>(5,508)</u>	<u>7,872,581</u>	<u>22,198,859</u>
Less accumulated depreciation					
Buildings	10,313,827	93,519	-	-	10,407,346
Equipment	2,057,185	48,577	(4,487)	-	2,101,275
Infrastructure	31,434	97,698	-	-	129,132
Total accumulated depreciation	<u>12,402,446</u>	<u>239,794</u>	<u>(4,487)</u>	<u>-</u>	<u>12,637,753</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>1,823,236</u>	<u>(133,690)</u>	<u>(1,021)</u>	<u>7,872,581</u>	<u>9,561,106</u>
Total Capital Assets, Net	<u>\$ 10,071,879</u>	<u>\$ (49,724)</u>	<u>\$ (1,021)</u>	<u>\$ -</u>	<u>\$ 10,021,134</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 7 – CAPITAL ASSETS (Continued)

Sewer Revenue Fund	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Land	\$ 489,768	\$ -	\$ -	\$ -	\$ 489,768
Work in Progress	-	-	-	-	-
Total Nondepreciable Assets	<u>489,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,768</u>
Depreciable Capital Assets					
Buildings	20,955,065	-	-	-	20,955,065
Equipment	3,639,178	35,420	-	-	3,674,598
Infrastructure	1,978,798	89,630	-	-	2,068,428
Total Depreciable Assets	<u>26,573,041</u>	<u>125,050</u>	<u>-</u>	<u>-</u>	<u>26,698,091</u>
Less accumulated depreciation					
Buildings	19,788,410	154,314	-	-	19,942,724
Equipment	1,392,570	33,093	-	-	1,425,663
Infrastructure	43,491	13,875	-	-	57,366
Total accumulated depreciation	<u>21,224,471</u>	<u>201,282</u>	<u>-</u>	<u>-</u>	<u>21,425,753</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>5,348,570</u>	<u>(76,232)</u>	<u>-</u>	<u>-</u>	<u>5,272,338</u>
Total Capital Assets, Net	<u>\$ 5,838,338</u>	<u>\$ (76,232)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,762,106</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 8 – LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2010:

<i>Governmental Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Municipal Bldg Renovation GO Bonds 2006-2015 3.25%-4% Police & Fire Capital Improve. Fund	\$ 1,575,000	-	(240,000)	1,335,000	250,000
Airport Runway Expansion GO Bonds 2006-2015 3.25%-4% Airport Fund	16,000	-	(16,000)	-	-
Refunding Bonds Premium 2006-2015	28,377	-	(4,729)	23,648	-
9-1-1 Radio Equipment GO Bonds 2006-2016 4.25%-4.3% Police & Fire Capital Improve. Fund	370,000	-	(45,000)	325,000	50,000
Mausoleum Phase II GO Bonds 2006-2011 4.25% Mausoleum Trust Fund	215,000	-	(215,000)	-	-
2010 Various Purpose Bonds GO Bonds 2011-2030 2.0-5.0%	-	560,000	-	560,000	23,072
Mausoleum Refunding Bonds 2011-2030 6.75%	-	525,000	-	525,000	15,000
HB300 Energy Savings	446,704	-	(55,966)	390,738	58,398
Total	2,651,081	1,085,000	(576,695)	3,159,386	396,470
Compensated Absences	810,706	293,620	(169,093)	935,233	404,883
Landfill Post Closure Liability	1,220,778	-	(57,736)	1,163,042	87,343
Unfunded P & F Pension Obligation Police & Fire Pension Levy Fund	257,906	-	(5,705)	252,201	5,948
Total Governmental Activities Long Term Liabilities	\$ 4,940,471	\$ 1,378,620	\$ (809,229)	\$ 5,509,862	\$ 894,644

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 8 – 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, 2010:

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Fund:					
GO Bonds 1997-2010 4.3%-5.85% Gwynne St Water Tower	34,000	-	(34,000)	-	-
GO Bonds 2006-2015 4%-4.75% Water System Improvements	620,000	-	(95,000)	525,000	95,000
OPWC 0% Interest Loan- CK26C	278,925	-	(22,314)	256,611	22,314
OPWC 0% Interest Loan Well Field	85,208	-	(4,734)	80,474	4,734
OWDA Loan 2008-2029 3.36% North 29 Water System Improvement	5,605,981	83,590	(205,325)	5,484,246	209,633
OPWC 0% Interest Loan Well Field	975,000	-	(50,000)	925,000	50,000
OPWC 0% Interest Loan- CT Communication Utility Extension	-	79,336	-	79,336	1,983
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	-	260,000	-	260,000	10,712
Accrued Vacation and Sick Leave	54,922	31,141	(26,861)	59,202	31,373
Total Business-Type Activities	<u>\$ 7,654,036</u>	<u>\$ 454,067</u>	<u>\$ (438,234)</u>	<u>\$ 7,669,869</u>	<u>\$ 425,749</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 8 – LONG TERM LIABILITIES (Continued)

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer Fund:					
OWDA Loan 1995-2012 4.56% Refinanced 1995 Upgrade	513,944	-	(198,654)	315,290	207,815
OWDA Loan 1995-2015 4.56% N-Viro Project	194,131	18,451	-	212,582	41,343
OWDA Loan 1996-2016 4.04% N-Viro Project	372,496	-	(47,045)	325,451	48,966
OPWC 0% Interest Loan	195,000	-	(30,000)	165,000	30,000
OWDA Loan 2008-2018 4.11% Sludge Handling Improvements	1,286,228	-	(131,864)	1,154,364	137,339
OWDA Loan 2008-2029 3.95% Sludge Handling Facility	643,940	-	(60,876)	583,064	63,303
OWDA Loan 2008-2018 4.78% Septage Receiving Facility	504,214	-	(46,035)	458,179	48,262
OWDA Loan 2008-2018 4.78% Septage Receiving Facility	599,994	-	(55,545)	544,449	58,045
OPWC 0% Northwest Sanitary	195,000	-	(10,000)	185,000	10,000
OPWC 0% CT Communication Utility Extension	-	85,149	-	85,149	2,129
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	-	515,000	-	515,000	21,217
Deferred Amount on Refunding	(4,224)	-	2,479	(1,745)	-
Accrued Vacation and Sick Leave	61,445	22,581	(19,344)	64,682	35,738
Total Business-Type Activities	<u>\$ 4,562,168</u>	<u>\$ 641,181</u>	<u>\$ (596,884)</u>	<u>\$ 4,606,465</u>	<u>\$ 704,157</u>

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 8 – LONG TERM LIABILITIES (Continued)

Annual requirements to pay principal and interest on long-term debt at December 31, 2010:

	Business Type-Activities					
	Governmental Activities		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	396,470	138,534	394,376	216,191	668,419	166,895
2012	401,910	124,796	407,489	205,027	588,054	140,477
2013	419,558	108,390	419,833	192,989	498,520	120,748
2014	434,420	91,255	433,399	180,215	519,164	101,645
2015	452,304	73,503	446,247	166,899	513,029	81,644
2016-2020	363,083	232,939	1,788,481	674,362	1,329,598	185,522
2021-2025	291,816	161,848	1,960,325	421,911	206,306	58,212
2026-2030	376,177	70,108	1,758,537	152,130	218,309	25,364
2031	-	-	1,980	-	2,129	-
Total	<u>3,135,738</u>	<u>1,001,373</u>	<u>7,610,667</u>	<u>2,209,724</u>	<u>4,543,528</u>	<u>880,507</u>

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, 2010, the City's total net debt amounted to 7.9% 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, 2010, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

NOTE 9 – 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 is 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, 2010, the debt service requirement to maturity of the defeased bonds was \$489,751.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 9 – ADVANCE REFUNDINGS (Continued)

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, 2010, the debt service requirement to maturity of the defeased bonds was \$0.

On August 1, 2005, the City issued \$2.645 million in General Obligation Bonds to currently refund the 1995 Municipal Building Bonds, Airport Runway Realignment Bonds, and Water Tower Maintenance Bonds. The net proceeds of the refunding bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the 1995 Municipal Building Bonds, Airport Runway Realignment Bonds, and Water Tower Maintenance Bonds are considered defeased and the liability for those bonds has been removed from the City's financial statements. The current refunding reduced resulting in net present value cash flow savings of \$156,649. As of December 31, 2010, the debt service requirement to maturity of the defeased bonds was \$0.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 10 – SHORT-TERM OBLIGATIONS

The City’s short-term debt activity for the fiscal year, including amounts outstanding, interest rates, and the purpose for which the debt was issued, are as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Bond Anticipation Notes				
Recreation Building, 1.76%	\$ 100,000	\$ -	\$ (100,000)	\$ -
Armory Building, 1.76%	235,000	-	(235,000)	-
Scioto Street, 1.76%	200,000	-	(200,000)	-
Total Bond Anticipation Notes	<u>\$ 535,000</u>	<u>\$ -</u>	<u>\$ (535,000)</u>	<u>\$ -</u>
Business-Type Activities				
Bond Anticipation Notes				
Water Lines, 1.76%	\$ 250,000	\$ -	\$ (250,000)	\$ -
Sewer Lines, 1.76%	500,000	-	(500,000)	-
Total Bond Anticipation Notes	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ (750,000)</u>	<u>\$ -</u>

The City issued bond anticipation notes to provide funds for the acquisition and construction of capital facilities and infrastructure. By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. Limitations also exist on the number of times notes may be renewed.

The bond anticipation notes were paid off during 2010 by the issuance of bonds.

NOTE 11 – RISK MANAGEMENT

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductible.

PEP retains casualty risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured with APEEP up to \$2,000,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation. If the losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 11 – RISK MANAGEMENT (Continued)

PEP retains property risks, including automobile physical damage up to \$150,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$150,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the City.

PEP's Financial Statements (most current available and audited by other accountants) conform with generally accepted accounting principles, and reported the following:

<u>Casualty & Property Coverage</u>	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	\$15,256,862	\$15,310,206
Retained Earnings	\$21,118,036	\$20,459,329

The City pays an annual premium to PEP for this coverage. The agreement provides that PEP will be self sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$1,000. Liability had a per-occurrence retention limit of \$500,000. After the retention limits are reached, excess insurance will cover up to the limits stated below.

General Liability (including law enforcement)	\$2,000,000 per occurrence
Automobile Liability	\$2,000,000 per occurrence
Public Officials Liability	\$2,000,000 per occurrence
Boiler and Machinery	BLANKET COVERAGE
Property	BLANKET COVERAGE

There were no significant reductions in insurance coverage during the year in any category of risk. Settled claims did not exceed insurance coverage in the past three years.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 12 – PENSION BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2010 member contribution rate for City employees was 10.00% of covered payroll. The 2010 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$365,838, \$368,525, and \$361,972 respectively. The full amount has been contributed for 2009 and 2008. 88.9 percent has been contributed for 2010 with the remainder being reported as a fund liability.

B. Ohio Police and Fire Pension Fund

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 12 – PENSION BENEFITS (Continued)

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$599,053, \$629,638, and \$595,985, respectively. The full amount has been contributed for 2009 and 2008. 73.9 percent has been contributed for 2010 with the remainder being reported as a fund liability.

The City also makes payments to OP&F for its portion of past service cost determined at the time the fund was established in the mid-1930's. As of December 31, 2010, the unfunded liability is payable, including principal and interest, in annual installments for \$16,666 through the year 2035. The principal balance of \$252,201 is accounted for as a non-current liability in the governmental activities column of the Statement of Net Assets. The State of Ohio assumed the liability for past service cost at the time PERS was established.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2010, 2009, and 2008 were \$132,751, \$153,691, and \$180,986, respectively. The full amount has been contributed for 2009 and 2008. 88.9 percent has been contributed for 2010 with the remainder being reported as a fund liability.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$599,053, \$629,638 and \$595,985, respectively, of which \$184,617, \$194,266 and \$183,566, respectively, was allocated to the healthcare plan.

NOTE 14 – LANDFILL CLOSURE/ POST CLOSURE COSTS

State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. The City stopped accepting waste at the landfill in 1987. The Ohio EPA approved the final closure and post closure plan in January 1988. With the assistance of Arcadis Engineering, the geological engineers, the \$1,163,042 reported as landfill post closure liability at December 31, 2010, 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 15 – INTERFUND BALANCES

Interfund balances at December 31, 2010 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
General	426,460	-	(285,000)	141,460
Capital Improvement	(141,460)	-	-	(141,460)
Mausoleum Trust	(285,000)	-	285,000	-

In accordance with City financial policies, the City's General Fund allocates administrative costs to various other funds. The Capital Improvement Fund amount noted above represents the Capital Improvement Funds' share of administrative costs not yet paid to the General Fund.

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. These funds were returned to the General Fund in 2010.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE 16 – INTERFUND TRANSFERS

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 84,068	\$ 130,000
Street	85,000	-
Oakdale Cemetery	45,000	-
Recycling Program	-	84,068
	<u>\$ 214,068</u>	<u>\$ 214,068</u>

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The City also transferred the remaining funds from the compost fund that was closed to the general fund. All transfers were made in accordance with Ohio Revised Code and grant requirements.

The transfer from the Recycling Program to the General Fund represents the residual balance of the compost/mulching program, the operations of which were moved to the City’s General Fund.

NOTE 17 – SIGNIFICANT CONSTRUCTION COMMITMENTS

Several State and United States Routes paving projects in conjunction with the Ohio Department of Transportation have been approved and will be funded with Capital Improvement monies through 2013.

Dugan Run (Ditch) Improvements work and final payment was made in early 2010 with total project cost at approximately \$.5 million. The project consisted of the installation of two new box culverts and clearing of the existing ditch from Miami Street to Edgewood Avenue. In 2011, two additional projects are planned for Dugan Run (Ditch). Russell Street/Dugan Ditch Improvements will involve the installation of 250 feet of 96-inch Reinforced Concrete Pipe, 100 feet of 84-inch galvanized steel pipe, and cleaning of approximately 7,700 feet of ditch between Edgewood Avenue and the Mad River. Dugan Ditch Improvements (Phase 2) will involve the installation of two new box culverts (one on W Ward Street and one on Julia Street) and the clearing and grubbing of the ditch between these two new culverts. Estimated construction cost for these two projects combined is \$1.25 million.

NOTE 18 – CONTINGENT LIABILITIES

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

**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, 2010

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Income Taxes	2,600,000	2,600,000	2,483,666	(116,334)
Property Taxes	473,541	473,541	460,510	(13,031)
Intergovernmental	919,459	919,459	761,869	(157,590)
Charges for Services	849,075	849,075	725,448	(123,627)
Fines, Licenses, and Permits	753,625	753,625	645,682	(107,943)
Interest	150,000	150,000	136,797	(13,203)
Miscellaneous	57,500	74,620	59,979	(14,641)
Reimbursements	807,000	807,000	647,787	(159,213)
Total Revenues	<u>6,610,200</u>	<u>6,627,320</u>	<u>5,921,738</u>	<u>(705,582)</u>
Expenditures:				
Current:				
General Government				
City Council				
Personal Services	77,785	74,035	73,384	651
Supplies, Materials and Other	2,550	2,550	2,395	155
Total City Council	<u>80,335</u>	<u>76,585</u>	<u>75,779</u>	<u>806</u>
Mayor/Administration				
Personal Services	254,352	254,352	242,049	12,303
Supplies, Materials and Other	12,230	102,230	115,856	(13,626)
Total Mayor/Administration	<u>266,582</u>	<u>356,582</u>	<u>357,905</u>	<u>(1,323)</u>
Municipal Court				
Personal Services	551,378	571,378	575,359	(3,981)
Supplies, Materials and Other	75,220	75,220	62,139	13,081
Total Municipal Court	<u>626,598</u>	<u>646,598</u>	<u>637,498</u>	<u>9,100</u>
Engineering				
Personal Services	154,068	159,498	161,953	(2,455)
Supplies, Materials and Other	5,715	5,715	2,466	3,249
Total Engineering	<u>159,783</u>	<u>165,213</u>	<u>164,419</u>	<u>794</u>
Code Enforcement				
Personal Services	116,031	106,801	93,482	13,319
Supplies, Materials and Other	3,900	3,900	15,399	(11,499)
Total Code Enforcement	<u>119,931</u>	<u>110,701</u>	<u>108,881</u>	<u>1,820</u>
Public Works				
Supplies, Materials and Other	140,438	140,438	120,352	20,086
Total Public Works	<u>140,438</u>	<u>140,438</u>	<u>120,352</u>	<u>20,086</u>
Finance Accounting				
Personal Services	188,468	201,188	201,267	(79)
Supplies, Materials and Other	17,450	17,450	16,290	1,160
Total Finance Accounting	<u>205,918</u>	<u>218,638</u>	<u>217,557</u>	<u>1,081</u>

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Finance Income Tax				
Personal Services	85,516	89,146	88,803	343
Supplies, Materials and Other	20,300	20,300	19,189	1,111
Total Finance Income Tax	<u>105,816</u>	<u>109,446</u>	<u>107,992</u>	<u>1,454</u>
Finance Utility Billing				
Personal Services	75,208	75,208	69,180	6,028
Supplies, Materials and Other	45,800	45,800	49,695	(3,895)
Total Basic Utilities	<u>121,008</u>	<u>121,008</u>	<u>118,875</u>	<u>2,133</u>
Law Department				
Personal Services	111,253	125,963	123,125	2,838
Supplies, Materials and Other	8,100	10,100	10,025	75
Total Law Department	<u>119,353</u>	<u>136,063</u>	<u>133,150</u>	<u>2,913</u>
Non-Departmental				
Supplies, Materials and Other	298,345	261,345	263,690	(2,345)
Total Non-Departmental	<u>298,345</u>	<u>261,345</u>	<u>263,690</u>	<u>(2,345)</u>
Compost and Mulch				
Personal Services	-	12,730	12,459	271
Supplies, Materials and Other	-	10,000	3,270	6,730
Total Compost and Mulch	<u>-</u>	<u>22,730</u>	<u>15,729</u>	<u>7,001</u>
Total General Government	2,244,107	2,365,347	2,321,827	43,520
Security of Person and Property				
Police Services				
Personal Services	1,378,565	1,378,565	1,391,261	(12,696)
Supplies, Materials and Other	160,076	141,756	114,585	27,171
Total Police Services	<u>1,538,641</u>	<u>1,520,321</u>	<u>1,505,846</u>	<u>14,475</u>
Fire Services				
Personal Services	1,700,121	1,700,121	1,654,572	45,549
Supplies, Materials and Other	49,411	49,411	56,031	(6,620)
Total Fire Services	<u>1,749,532</u>	<u>1,749,532</u>	<u>1,710,603</u>	<u>38,929</u>
Ambulance Services				
Personal Services	8,871	11,956	11,601	355
Supplies, Materials and Other	30,895	52,055	47,572	4,483
Total Ambulance Services	<u>39,766</u>	<u>64,011</u>	<u>59,173</u>	<u>4,838</u>
Total Security of Person and Property	3,327,939	3,333,864	3,275,622	58,242
Health				
Supplies, Materials and Other	46,405	46,405	44,816	1,589
Total Health	<u>46,405</u>	<u>46,405</u>	<u>44,816</u>	<u>1,589</u>

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Leisure Activities				
Recreation Administration				
Personal Services	50,233	50,233	49,245	988
Supplies, Materials and Other	13,115	17,815	17,620	195
Total Recreation Administration	<u>63,348</u>	<u>68,048</u>	<u>66,865</u>	<u>1,183</u>
Recreation Programs				
Supplies, Materials and Other	70,700	17,000	17,794	(794)
Total Recreation Programs	<u>70,700</u>	<u>17,000</u>	<u>17,794</u>	<u>(794)</u>
Recreation-Pool				
Personal Services	42,411	42,411	40,212	2,199
Supplies, Materials and Other	45,810	45,810	43,368	2,442
Total Recreation-Pool	<u>88,221</u>	<u>88,221</u>	<u>83,580</u>	<u>4,641</u>
Recreation Parks				
Personal Services	52,057	67,092	66,357	735
Supplies, Materials and Other	33,750	39,195	39,751	(556)
Total Recreation Parks	<u>85,807</u>	<u>106,287</u>	<u>106,108</u>	<u>179</u>
 Total Leisure Activities	 308,076	 279,556	 274,347	 5,209
 Total Expenditures	 <u>5,926,527</u>	 <u>6,025,172</u>	 <u>5,916,612</u>	 <u>108,560</u>
 Excess of Revenues Over/(Under) Expenditures	 683,673	 602,148	 5,126	 (597,022)
 Other Financing Sources (Uses)				
Operating Transfers In	-	-	84,068	84,068
Operating Transfers Out	(145,000)	(145,000)	(130,000)	15,000
Advances In	-	-	285,000	285,000
Advances Out	-	-	(27,989)	(27,989)
Total Financing Sources (Uses)	<u>(145,000)</u>	<u>(145,000)</u>	<u>211,079</u>	<u>356,079</u>
 Net Change in Fund Balance	 538,673	 457,148	 216,205	 (240,943)
 Fund Balance January 1, 2010	 121,741	 121,741	 121,741	 -
Prior Year Encumbrances	36,684	36,684	36,684	-
Fund Balance December 31, 2010	<u>697,098</u>	<u>615,573</u>	<u>374,630</u>	<u>(240,943)</u>

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<u>Revenues:</u>				
Intergovernmental	535,000	523,000	510,565	(12,435)
Miscellaneous	2,000	4,000	1,367	(2,633)
Total Revenues	537,000	527,000	511,932	(15,068)
<u>Expenditures:</u>				
Current:				
Transportation				
Personal Services	464,620	464,620	465,841	(1,221)
Supplies, Materials and Other	147,089	147,089	141,383	5,706
Total Transportation	611,709	611,709	607,224	4,485
Excess of Revenues Over/(Under) Expenditures	(74,709)	(84,709)	(95,292)	(10,583)
Other Financing Sources (Uses)				
Operating Transfers In	227,000	80,000	85,000	5,000
Total Financing Sources (Uses)	227,000	80,000	85,000	5,000
Net Change in Fund Balance	152,291	(4,709)	(10,292)	(5,583)
Fund Balance January 1, 2010	(373)	(373)	(373)	-
Prior Year Encumbrances	4,666	4,666	4,666	-
Fund Balance December 31, 2010	156,584	(416)	(5,999)	(5,583)

**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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
<u>Revenues:</u>				
Income Taxes	1,060,000	964,300	993,466	29,166
Miscellaneous	-	-	41,903	41,903
Total Revenues	<u>1,060,000</u>	<u>964,300</u>	<u>1,035,369</u>	<u>71,069</u>
<u>Expenditures:</u>				
Current:				
Public Safety				
Personal Services	953,541	1,198,516	1,161,064	37,452
Supplies, Materials and Other	70,455	121,470	117,500	3,970
Total Security of Persons and Property	<u>1,023,996</u>	<u>1,319,986</u>	<u>1,278,564</u>	<u>41,422</u>
Net Change in Fund Balance	36,004	(355,686)	(243,195)	112,491
Fund Balance January 1, 2010	311,903	311,903	311,903	-
Prior Year Encumbrances	36,555	36,555	36,555	-
Fund Balance December 31, 2010	<u><u>384,462</u></u>	<u><u>(7,228)</u></u>	<u><u>105,263</u></u>	<u><u>112,491</u></u>

CITY OF URBANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

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 reservations of fund balances, since they do not constitute expenditures or liabilities. During 2010, the City did not properly encumber all expenditures as required by Ohio Rev. Code Section 5705.41(D).

**CITY OF URBANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 a reservation of fund balance (GAAP).

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

Net Change in Fund Balance			
	General Fund	Street Fund	Police & Fire Levy Fund
GAAP Basis	\$ 33,693	\$ (45,199)	\$ (204,216)
Revenue Accruals	10,934	10,911	(8,851)
Expenditure Accruals	(52,071)	43,012	(21,573)
Advances	257,011	-	-
Encumbrances	(33,362)	(19,016)	(8,555)
Budget Basis	<u>\$ 216,205</u>	<u>\$ (10,292)</u>	<u>\$ (243,195)</u>

**CITY OF URBANA
CHAMPAIGN COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed through City of Bellefontaine)</i>			
Community Development Block Grants/Entitlement Grants	A-Z-08-2AL-1	14.218	\$213,472
<i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grants/State's Program	A-F-08-190-1	14.228	8,257
	A-C-09-2EE-1		<u>25,424</u>
Total Community Development Block Grants/State's Program			<u>33,681</u>
Home Investment Partnerships Program	A-C-09-2EE-2	14.239	51,480
Total U.S. Department of Housing and Urban Development			<u>298,633</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Ohio Attorney General)</i>			
Crime Victims Assistance	2010VAGENE591	16.575	11,628
	2011VAGENE591		<u>3,877</u>
Total Crime Victims Assistance			<u>15,505</u>
<i>(Direct)</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	2009-SB-B9-2328	16.804	<u>7,328</u>
Total U.S. Department of Justice			<u>22,833</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>(Direct - Federal Aviation Administration)</i>			
Airport Improvement Program	AIP-3-39-0080-1509	20.106	112,489
	AIP-3-39-0080-1610		<u>25,877</u>
Total Airport Improvement Program			<u>138,366</u>
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	PID 77394	20.205	<u>535,875</u>
Total U.S. Department of Transportation			<u>674,241</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>(Direct)</i>			
Assistance to Firefighters Grant	EMW-2009-FO-00912	97.044	<u>33,915</u>
Total U.S. Department of Homeland Security			<u>33,915</u>
Total Federal Financial Assistance			<u>\$1,029,622</u>

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

**CITY OF URBANA
CHAMPAIGN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

These loans are collateralized by second mortgages on the property.

Activity in the CDBG revolving loan fund during 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010	\$33,878
Loans made	
Loan principal repaid	<u>4,233</u>
Ending loans receivable balance as of December 31, 2010	\$29,645
Cash balance on hand in the revolving loan fund as of December 31, 2010	\$50,739
Administrative costs expended during 2010	4,808

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2010, the City estimates \$7,326 to be uncollectible and \$1,077 is more than 90 days past due.

NOTE C - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as Findings 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 2, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, City Council, federal awarding agencies, pass-through entities, and other within the City. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 2, 2011



Dave Yost • Auditor of State

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

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

To the City Council:

Compliance

We have audited the compliance of the City of Urbana, Champaign County (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Urbana complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, City Council, others within the city, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

August 2, 2011

**CITY OF URBANA
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA 20.205 - Highway Planning and Construction
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The City did not properly encumber 13 of 50 expenditures tested or 26 percent.

**FINDING NUMBER 2010-001
 (Continued)**

To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, the City should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

We agree that expenditures should be encumbered to reduce potential budgetary control issues. Whenever feasible, the City of Urbana will incorporate the use of "then and now" certificates for future encumbrances.

FINDING NUMBER 2010-002

Noncompliance

Ohio Rev. Code Section 5705.10(H) states money paid into any fund shall be used only for the purpose for which such fund is established. Negative fund cash balances indicate money from one fund was used to cover the expenses of another fund.

At September 30, 2010, the City had the following negative cash fund balances:

General (100)	(\$76,744)
Oak Dale Cemetery (215)	(15,865)
Fox River Development (237)	(920)
Victim Assistance (270)	(8,673)
Capital Police and Fire (402)	(70,901)
Sewer Revenue (610)	(208,577)
Fire Safety Council (811)	(276)
Mausoleum Trust (835)	(105,177)
JAG Grant (249)	(59)

At December 31, 2010, the City had the following negative cash fund balances:

FAA Master Plan (240)	(\$12,864)
JAG Grant (249)	(1,159)
Victim Assistance (270)	(10,369)
Fire Safety Council (811)	(276)

The City should implement procedures to review cash fund balances prior to year end to ensure negative fund balances do not occur. This will help ensure the City is not spending unauthorized funds.

Officials' Response:

We agree that negative fund balances should be eliminated at year-end. For two of the four funds listed (FAA Master Plan and JAG Grant), timing issues with reimbursements created the negative position (reimbursement received Q1, 2011). The Victim Assistance Fund will be expensed to the Law Department to eliminate any potential negative balance, and the Fire Safety Council which has been negative for several years will be corrected in 2011.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CITY OF URBANA
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Financial Reporting – significant errors and misstatements in financial report	Yes	
2009-002	Segregation of Duties - airport and ambulance process needed supervisory review	Yes	
2009-003	ORC 5705.41(D) – expenditures were not properly encumbered	No	Repeated as Finding 2010-001
2009-004	ORC 5705.41(B) – expenditures exceeded appropriations	No	Reported to management of the city in a separate letter
2009-005	ORC 5705.36(A)(4) – appropriations exceeded actual resources	Yes	



Dave Yost • Auditor of State

CITY OF URBANA

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2011