CITY OF URBANA

CHAMPAIGN COUNTY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Urbana
205 S. Main Street
P.O. Box 747
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We have reviewed the *Independent Auditor's Report* of the City of Urbana, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 to December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 7, 2019

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CITY OF URBANA
CHAMPAIGN COUNTY
AUDIT REPORT
For the Year Ended December 31, 2018

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CHAMPAIGN COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Champaign County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

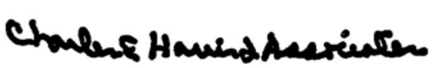
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis, required budgetary comparison schedules and schedules of net pension and OPEB liabilities and pension and OPEB contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 21, 2019

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately $27.4 million (net position).
- The City's net position increased by approximately $1.8 million, or 7%, 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 $10.3 million, an increase of approximately $1.5 million in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately $3.5 million, or 58% of total general fund expenditures including transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

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

The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-74 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with budgetary law, as well as the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 75-89 of this report.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 shows the detail of the City's net position at December 31, 2018 and 2017.

TABLE 1
Net Position

	Governmental Activites		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Current and other assets	$ 14,058,965	$ 13,153,411	$ 7,198,651	$ 7,136,037	$ 21,257,616	$ 20,289,448
Capital assets, net	20,880,814	20,982,900	37,533,178	38,012,111	58,413,992	58,995,011
Net pension asset	9,924	4,286	4,115	1,705	14,039	5,991
Total Assets	34,949,703	34,140,597	44,735,944	45,149,853	79,685,647	79,290,450
Deferred Outflows of Resources						
Pension	1,648,853	2,681,437	241,711	523,031	1,890,564	3,204,468
OPEB	808,248	33,509	49,516	7,984	857,764	41,493
Total Deferred Outflows of Resources	2,457,101	2,714,946	291,227	531,015	2,748,328	3,245,961
Liabilities						
Current and other liabilities	2,217,167	2,762,344	414,952	381,601	2,632,119	3,143,945
Long-term liabilities:						
Due within one year	510,059	504,688	1,749,257	1,972,651	2,259,316	2,477,339
Due in more than one year:						
Net pension liability	9,766,715	11,237,182	904,417	1,306,410	10,671,132	12,543,592
Net OPEB liability	8,502,294	7,414,686	621,801	578,648	9,124,095	7,993,334
Other amounts	1,999,553	2,171,816	25,603,050	27,138,889	27,602,603	29,310,705
Total Liabilities	22,995,788	24,090,716	29,293,477	31,378,199	52,289,265	55,468,915
Deferred Inflows of Resources						
Property Taxes	602,903	610,776	-	-	602,903	610,776
Pension	1,529,010	817,287	219,931	9,360	1,748,941	826,647
OPEB	314,901	-	50,283	-	365,184	-
Total Deferred Inflows of Resources	2,446,814	1,428,063	270,214	9,360	2,717,028	1,437,423
Net Position:						
Net Investment in Capital Assets	19,521,469	19,889,961	10,350,276	9,043,564	29,871,745	28,933,525
Restricted	2,961,685	2,574,458	-	-	2,961,685	2,574,458
Unrestricted	(10,518,952)	(11,127,655)	5,113,204	5,249,745	(5,405,748)	(5,877,910)
Total Net Position	$ 11,964,202	$ 11,336,764	$ 15,463,480	$ 14,293,309	$ 27,427,682	$ 25,630,073

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability.

As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $18,717,941 to $11,336,764 for governmental activities and from $14,863,973 to $14,293,309 for business type activities.

Governmental Activities

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

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

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

Business-Type Activities

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

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

Governmental and Business-Type Activities

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior year. These fluctuations are primarily the result of the greater than expected returns on pension plan investments. This is also due to the City paying off their proportionate share of the Ohio Police & Fire unfunded liabilities.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $27.4 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (approximately $29.9 million) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately $3.0 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately $5.4 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 its investment in capital assets and restricted net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

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Table 2 details the changes in net position for the fiscal years ended December 31, 2018 and 2017.

TABLE 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Service	$ 2,787,969	$ 2,642,426	$ 6,574,371	$ 6,722,583	$ 9,362,340	$ 9,365,009
Operating Grants	721,214	883,387	-	-	721,214	883,387
Capital Grants	580,529	1,078,787	-	-	580,529	1,078,787
General Revenues:						
Income Taxes	6,793,091	6,306,524	-	-	6,793,091	6,306,524
Property Taxes	599,361	590,913	-	-	599,361	590,913
Unrestricted Grants	134,455	471,648	-	-	134,455	471,648
Investment Earnings	63,687	53,763	-	-	63,687	53,763
Other	248,494	216,878	-	-	248,494	216,878
Total Revenues	11,928,800	12,244,326	6,574,371	6,722,583	18,503,171	18,966,909
Expenses:						
General Government	2,986,892	2,518,234	-	-	2,986,892	2,518,234
Public Safety	5,515,967	5,175,216	-	-	5,515,967	5,175,216
Health	270,428	258,246	-	-	270,428	258,246
Transportation	2,052,561	2,193,098	-	-	2,052,561	2,193,098
Community Development	40,988	11,811	-	-	40,988	11,811
Leisure Time	376,590	438,909	-	-	376,590	438,909
Basic Utilities	11,593	-	-	-	11,593	-
Interest on Long-Term Debt	46,343	47,697	-	-	46,343	47,697
Water	-	-	2,089,378	1,810,097	2,089,378	1,810,097
Sewer	-	-	3,091,315	2,968,922	3,091,315	2,968,922
Storm Water	-	-	64,336	74,420	64,336	74,420
Recycling Program	-	-	159,171	146,588	159,171	146,588
Total Expenses	11,301,362	10,643,211	5,404,200	5,000,027	16,705,562	15,643,238
Change in Net Position	627,438	1,601,115	1,170,171	1,722,556	1,797,609	3,323,671
Net position, Beginning Restated	11,336,764	N/A	14,293,309	N/A	25,630,073	N/A
Net position, Ending	$ 11,964,202	$ 11,336,764	$ 15,463,480	$ 14,293,309	$ 27,427,682	$ 25,630,073

Governmental Activities. Governmental activities increased the City's net position by $627,438. This increase is primarily the result of an increase charges for services revenue received for services provided by the City and income tax revenue received by the City.

Business-type Activities. Business-type activities increased the City's net position by approximately $1.2 million. This increase represents the amount in which user charges exceeded operating costs. Surplus funds will be used for future capital projects and debt payments.

Total versus Net Cost of Services

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

TABLE 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Governmental Activities:				
General Government	$ (2,986,892)	$ (2,518,234)	$ (1,924,340)	$ (1,527,955)
Public Safety	(5,515,967)	(5,175,216)	(4,267,628)	(3,949,299)
Transportation	(2,052,561)	(2,193,098)	(505,577)	(39,232)
Community Development	(40,988)	(11,811)	(40,664)	45,854
Leisure Time	(376,590)	(438,909)	(308,159)	(368,441)
All Other	(328,364)	(305,943)	(165,282)	(199,538)
Total Governmental Activities	(11,301,362)	(10,643,211)	(7,211,650)	(6,038,611)
Business-Type Activities:				
Water	(2,089,378)	(1,810,097)	212,214	612,727
Sewer	(3,091,315)	(2,968,922)	737,802	933,406
Storm Water	(64,336)	(74,420)	216,590	170,512
Recycling Program	(159,171)	(146,588)	3,565	5,911
Total Business-Type Activities	(5,404,200)	(5,000,027)	1,170,171	1,722,556
Total Expenses	$ (16,705,562)	$ (15,643,238)	$ (6,041,479)	$ (4,316,055)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $10.3 million, an approximate $1.5 million increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2018 and 2017.

	Fund Balance 12/31/2018	Fund Balance 12/31/2017	Increase (Decrease)
General	$ 3,691,581	$ 3,289,634	$ 401,947
Police and Fire Levy	487,704	504,988	(17,284)
Capital improvement	1,783,686	1,070,400	713,286
Perpetual Investment	1,827,348	1,827,348	-
Other Governmental	2,475,935	2,094,248	381,687
Total	$ 10,266,254	$ 8,786,618	$ 1,479,636

The *General Fund* is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately $3.5 million, or 95% of the total fund balance.

The fund balance of the City's general fund increased $401,947 during the current fiscal year. This increase represents the amount in which revenues exceeded expenditures and transfers to other funds. Revenues and expenditures were both fairly consistent with amounts reported in the previous year.

The *Police and Fire Levy Fund* accounts for the income tax for additional patrolmen and firefighters that the General Fund is unable to financially support. The police and fire levy funds' fund balance decreased $17,284 during the current fiscal year. This decrease represents the amount by which public safety expenditures exceeded income tax revenues and other revenues during the year.

The *Capital Improvements Fund* accounts for the accumulation of financial resources to be used for the acquisition or construction of capital assets as well as to service debt. The Capital Improvement Funds' fund balance increased $713,286 during the current fiscal year. This increase represents the amount by which income tax, intergovernmental revenues, and proceeds from loans exceeded capital outlays and debt service expenditures.

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

The fund balance of the City's *Other Governmental Funds* increased $381,687 during the current fiscal year. The most significant contributor to this increase was the Capital Police and Fire Fund, which increased $329,177 during the year. This increase represents the amount by which income tax revenues exceed expenditures related to capital outlay and debt payments.

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

Unrestricted net position in the Water Revenue Fund at the end of the year amounted to approximately $1.7 million. Total net position increased $212,214 from the previous year. This increase represents the amount in which operating income exceeded program expenses and interest expense during the year.

Unrestricted net position in the Sewer Revenue Fund at the end of the year amounted to $3.0 million. Total net position increased $737,802 from the previous year. This increase represents the amount in which operating income exceeded program expenses and interest expense during the year.

Unrestricted net position in the other proprietary funds at the end of the year amounted to $424,001. Total net position increased $220,155 from the previous year. This increase represents the amount in which operating income exceeded operating expenses during the year.

Budget Information

General Fund

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

The variance between the original and final revenue estimates was $0. Actual revenue exceeded final revenue estimates by $553,387 as a result of greater than expected income taxes and receipts from fines, licenses, and permits provided by the City. Final appropriations exceeded the original resolution by $314,875, or 5%, and the final amended appropriations exceeded actual expenditures by $80,692, or 1%.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to approximately $58.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were approximately $1.8 million and depreciation was approximately $2.4 million.

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

Debt

At the end of the current fiscal year, the City had total debt outstanding of approximately $27.1 million. Of this amount, approximately $1.3 million represents bonds backed by the full faith and credit of the City. The remaining $25.8 million of the City's debt represents loans in the City's name.

Detailed information regarding long-term debt is included in Note 10 to the basic financial statements.

Contacting the City Finance Department

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

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Investments	$ 10,123,603	$ 6,327,920	$ 16,451,523
Cash with Fiscal Agents	380,000	-	380,000
Receivables:			
Income Tax	944,158	-	944,158
Property Tax	632,465	-	632,465
Accounts	407,030	777,299	1,184,329
Notes	642,023	-	642,023
Due From Other Governments	738,917	-	738,917
Inventory	152,792	82,818	235,610
Prepaid Assets	37,977	10,614	48,591
Capital Assets:			
Non-Depreciable	3,957,613	1,147,497	5,105,110
Depreciable, Net	16,923,201	36,385,681	53,308,882
Net Pension Asset	9,924	4,115	14,039
Total Assets	34,949,703	44,735,944	79,685,647
Deferred Outflows of Resources			
Pension	1,648,853	241,711	1,890,564
OPEB	808,248	49,516	857,764
Total Deferred Outflows of Resources	2,457,101	291,227	2,748,328
Liabilities			
Accounts Payable	496,028	69,018	565,046
Accrued Wages and Benefits	96,540	17,160	113,700
Due To Other Governments	81,926	12,149	94,075
Retainage Payable	24,790	-	24,790
Interest Payable	4,477	316,625	321,102
Unearned Revenue	1,513,406	-	1,513,406
Long-term Liabilities			
Due within one year	510,059	1,749,257	2,259,316
Due in more than one year	1,999,553	25,603,050	27,602,603
Net Pension Liability	9,766,715	904,417	10,671,132
Net OPEB Liability	8,502,294	621,801	9,124,095
Total Liabilities	22,995,788	29,293,477	52,289,265
Deferred Inflows of Resources			
Property and Other Local Taxes	602,903	-	602,903
Pension	1,529,010	219,931	1,748,941
OPEB	314,901	50,283	365,184
Total Deferred Inflows of Resources	2,446,814	270,214	2,717,028
Net Position			
Net Investment in Capital Assets	19,521,469	10,350,276	29,871,745
Restricted for:			
Capital Projects	1,135,453	-	1,135,453
Transportation Programs	374,561	-	374,561
Public Safety Programs	835,617	-	835,617
Debt Service	163,967	-	163,967
Permanent Endowments	99,065	-	99,065
Grant Programs	218,291	-	218,291
Other	134,731	-	134,731
Unrestricted	(10,518,952)	5,113,204	(5,405,748)
Total Net Position	$ 11,964,202	$ 15,463,480	$ 27,427,682

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Public Safety	$ 5,515,967	$ 1,095,937	$ 152,402	$ -
Health	270,428	151,489	-	-
Leisure Time	376,590	68,431	-	-
Community Development	52,581	11,917	-	-
Transportation	2,052,561	397,643	568,812	580,529
General Government	2,986,892	1,062,552	-	-
Interest on Debt	46,343	-	-	-
Total Governmental Activities	11,301,362	2,787,969	721,214	580,529
Business-type Activities:				
Water	2,089,378	2,301,592	-	-
Sewer	3,091,315	3,829,117	-	-
Storm Water	64,336	280,926	-	-
Recycling Program	159,171	162,736	-	-
Total Business-type Activities	5,404,200	6,574,371	-	-
Total Government	$ 16,705,562	$ 9,362,340	$ 721,214	$ 580,529

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

Total General Revenues

Change in Net Position

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

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (4,267,628)	$ -	$ (4,267,628)
(118,939)	-	(118,939)
(308,159)	-	(308,159)
(40,664)	-	(40,664)
(505,577)	-	(505,577)
(1,924,340)	-	(1,924,340)
(46,343)	-	(46,343)
(7,211,650)	-	(7,211,650)
-	212,214	212,214
-	737,802	737,802
-	216,590	216,590
-	3,565	3,565
-	1,170,171	1,170,171
$ (7,211,650)	$ 1,170,171	$ (6,041,479)
599,361	-	599,361
6,793,091	-	6,793,091
63,687	-	63,687
134,455	-	134,455
248,494	-	248,494
7,839,088	-	7,839,088
627,438	1,170,171	1,797,609
11,336,764	14,293,309	25,630,073
$ 11,964,202	$ 15,463,480	$ 27,427,682

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018

	General Fund	Police and Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Assets:				
Pooled Cash and Investments	$ 4,777,775	$ 546,344	$ 1,357,706	$ 1,186,402
Cash with Fiscal Agents	-	-	380,000	-
Receivables:				
Income Tax	505,799	202,319	168,600	-
Property Tax	485,226	-	-	-
Accounts	340,421	-	1,350	-
Notes	-	-	-	640,946
Due From Other Governments	162,583	5,407	-	-
Due From Other Funds	4,106	-	-	-
Inventory	25,089	-	-	-
Prepaid Assets	31,207	-	-	-
Advances To Other Funds	70,500	-	-	-
Total Assets	$ 6,402,706	$ 754,070	$ 1,907,656	$ 1,827,348
Liabilities:				
Accounts Payable	$ 59,994	$ 139,350	$ 47,240	$ -
Accrued Wages and Benefits	67,440	18,511	-	-
Due To Other Governments	57,723	16,430	-	-
Retainage Payable	-	-	-	-
Due To Other Funds	-	-	-	-
Advances From Other Funds	-	-	-	-
Unearned Revenue	1,513,406	-	-	-
Total Liabilities	1,698,563	174,291	47,240	-
Deferred Inflows of Resources:				
Unavailable Revenue	551,523	92,075	76,730	-
Property and Other Local Taxes	461,039	-	-	-
Total Deferred Inflows of Resources	1,012,562	92,075	76,730	-
Fund Balances:				
Nonspendable:				
Inventory	25,089	-	-	-
Advances	70,500	-	-	-
Prepaids	31,207	-	-	-
Restricted:				
Capital Projects	-	-	-	-
Transportation Programs	-	-	-	-
Public Safety Programs	-	487,704	-	-
Debt Service	-	-	-	-
Permanent Endowments	-	-	-	-
Grant Programs	-	-	-	-
Other	-	-	-	-
Committed:				
Transportation Programs	-	-	-	-
Assigned:				
General Government	53,162	-	-	-
Security of Person and Property	18,887	-	-	-
Leisure Activity	296	-	-	-
Capital Projects	-	-	1,783,686	1,827,348
Unassigned	3,492,440	-	-	-
Total Fund Balances	3,691,581	487,704	1,783,686	1,827,348
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,402,706	$ 754,070	$ 1,907,656	$ 1,827,348

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 2,255,376	$ 10,123,603
-	380,000
67,440	944,158
147,239	632,465
65,259	407,030
1,077	642,023
570,927	738,917
-	4,106
127,703	152,792
6,770	37,977
-	70,500
$ 3,241,791	$ 14,133,571
$ 249,444	$ 496,028
10,589	96,540
7,773	81,926
24,790	24,790
4,106	4,106
70,500	70,500
-	1,513,406
367,202	2,287,296
256,790	977,118
141,864	602,903
398,654	1,580,021
127,703	152,792
-	70,500
6,770	37,977
1,211,088	1,211,088
116,215	116,215
243,710	731,414
163,967	163,967
99,065	99,065
108,978	108,978
136,782	136,782
326,520	326,520
-	53,162
-	18,887
-	296
-	3,611,034
(64,863)	3,427,577
2,475,935	10,266,254
$ 3,241,791	$ 14,133,571

See accompanying notes to the basic financial statements.

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CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total Governmental Fund Balances		$ 10,266,254
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,880,814
The net pension asset is not a financial resource and therefore is not reported in the funds.		9,924
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
	Income Taxes Receivable	429,687
	Property Taxes Receivable	29,562
	Due From Other Governments	294,688
	Accounts Receivable - Ambulance	148,418
	Accounts Receivable - Cemetery	42,135
	Accounts Receivable - Other	32,628
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
	Deferred outflows - pension	1,648,853
	Deferred outflows - OPEB	808,248
	Deferred inflows - pension	(1,529,010)
	Deferred inflows - OPEB	(314,901)
	Net pension liability	(9,766,715)
	Net OPEB liability	(8,502,294)
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	(959,531)
	General Obligation Debt	(1,350,081)
	Landfill Post Closure Liability	(200,000)
	Accrued Interest Payable	(4,477)
Net Position of Governmental Activities		$ 11,964,202

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, 2018

	General Fund	Police and Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Revenues:				
Income Taxes	$ 3,642,166	$ 1,457,108	$ 1,214,257	$ -
Property Taxes	461,326	-	-	-
Intergovernmental	179,718	5,407	57,914	-
Charges for Services	1,129,527	-	-	-
Fines, Licenses, and Permits	706,481	-	-	-
Interest	62,832	-	-	-
Miscellaneous	238,629	32,394	49,870	-
Total revenues	6,420,679	1,494,909	1,322,041	-
Expenditures:				
Current:				
Public Safety	3,658,199	1,362,476	-	-
Health	42,309	-	-	-
Leisure Time	290,986	-	-	-
Community Development	-	-	36,983	-
Transportation	-	-	153,481	-
General Government	1,942,238	-	224,930	-
Capital Outlay	-	149,717	543,316	-
Debt service:				
Principal Retirement	-	-	28,662	-
Interest and Fiscal Charges	-	-	11,248	-
Total Expenditures	5,933,732	1,512,193	998,620	-
Excess of Revenues Over (Under) Expenditures	486,947	(17,284)	323,421	-
Other Fnancing Sources (Uses):				
Proceeds from sale of capital assets	-	-	9,865	-
Proceeds from Loans	-	-	380,000	-
Transfers In	-	-	-	-
Transfers Out	(85,000)	-	-	-
Total Other Financing Sources (Uses)	(85,000)	-	389,865	-
Net Change in Fund Balances	401,947	(17,284)	713,286	-
Fund Balance at Beginning of Year	3,289,634	504,988	1,070,400	1,827,348
Fund Balance at End of Year	$ 3,691,581	$ 487,704	$ 1,783,686	$ 1,827,348

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 485,702	$ 6,799,233
141,920	603,246
1,268,520	1,511,559
325,013	1,454,540
259,004	965,485
855	63,687
220,653	541,546
2,701,667	11,939,296
381,329	5,402,004
167,062	209,371
-	290,986
4,005	40,988
1,020,479	1,173,960
56,036	2,223,204
697,324	1,390,357
44,321	72,983
34,424	45,672
2,404,980	10,849,525
296,687	1,089,771
-	9,865
-	380,000
85,000	85,000
-	(85,000)
85,000	389,865
381,687	1,479,636
2,094,248	8,786,618
$ 2,475,935	$ 10,266,254

See accompanying notes to the basic financial statements.

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CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$ 1,479,636
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
	Capital Outlays	1,094,479
	Depreciation Expense	(1,196,565)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(20,361)
Repayment of bond principal and payments towards landfill and pension obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities.		601,263
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		935,222
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,188,857)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		(642,337)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
	Proceeds of Loans	(380,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Compensated absences	(54,371)
	Accrued interest	(671)
Change in Net Position of Governmental Activities		$ 627,438

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
Assets	Water Revenue	Sewer Revenue	Other Enterprise Funds	Total Enterprise Funds
Current Assets:				
Pooled Cash and Investments	$ 2,202,108	$ 3,732,071	$ 393,741	$ 6,327,920
Receivables:				
Accounts	262,305	471,500	43,494	777,299
Inventory	46,119	36,699	-	82,818
Prepaid Assets	3,115	7,499	-	10,614
Total Current Assets	2,513,647	4,247,769	437,235	7,198,651
Noncurrent Assets:				
Depreciable Capital Assets, Net	11,934,139	24,415,216	36,326	36,385,681
Non-Depreciable Capital Assets	460,028	687,469	-	1,147,497
Net Pension Asset	1,734	2,381	-	4,115
Total Noncurrent Assets	12,395,901	25,105,066	36,326	37,537,293
Total Assets	14,909,548	29,352,835	473,561	44,735,944
Deferred Outflows of Resources				
Pension	101,786	139,925	-	241,711
OPEB	19,283	30,233	-	49,516
Total Deferred Outflows of Resources	121,069	170,158	-	291,227
Liabilities				
Current Liabilities:				
Accounts Payable	12,201	43,583	13,234	69,018
Accrued Wages and Benefits	7,581	9,579	-	17,160
Due to Other Governments	5,292	6,857	-	12,149
Accrued Interest payable	77,462	239,163	-	316,625
Accrued Vacation and Sick Leave	20,135	40,059	-	60,194
Bonds Payable	12,671	24,892	-	37,563
Loan Payable	756,654	894,846	-	1,651,500
Total Current Liabilities	891,996	1,258,979	13,234	2,164,209
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	29,964	91,147	-	121,111
Bonds Payable	162,622	322,117	-	484,739
Loan Payable	7,096,064	17,901,136	-	24,997,200
Net Pension Liability	381,063	523,354	-	904,417
Net OPEB Liability	262,034	359,767	-	621,801
Total Noncurrent Liabilities	7,931,747	19,197,521	-	27,129,268
Total Liabilities	8,823,743	20,456,500	13,234	29,293,477
Deferred Inflows of Resources				
Pension	95,821	124,110	-	219,931
OPEB	23,483	26,800	-	50,283
Total Deferred Inflows of Resources	119,304	150,910	-	270,214
Net Position				
Net Investment in Capital Assets	4,366,156	5,947,794	36,326	10,350,276
Unrestricted	1,721,414	2,967,789	424,001	5,113,204
Total Net Position	$ 6,087,570	$ 8,915,583	$ 460,327	$ 15,463,480

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Charges for Services	$ 2,301,592	$ 3,829,117	$ 443,662	$ 6,574,371
Total Operating Revenues	2,301,592	3,829,117	443,662	6,574,371
Operating Expenses				
Personal Services	615,572	891,577	-	1,507,149
Contractual Services	357,651	608,404	189,908	1,155,963
Supplies and Materials	163,693	49,289	-	212,982
Administrative Fees	313,031	301,654	33,567	648,252
Depreciation	474,933	756,523	32	1,231,488
Total Operating Expenses	1,924,880	2,607,447	223,507	4,755,834
Operating Income	376,712	1,221,670	220,155	1,818,537
Nonoperating Expenses				
Interest Expense	(164,498)	(483,868)	-	(648,366)
Total Non-Operating Expenses	(164,498)	(483,868)	-	(648,366)
Change in Net Position	212,214	737,802	220,155	1,170,171
Net Position at Beginning of Year, Restated	5,875,356	8,177,781	240,172	14,293,309
Net Position at End of Year	$ 6,087,570	$ 8,915,583	$ 460,327	$ 15,463,480

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, 2018

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash Received from Customers	$ 2,293,830	$ 3,858,598	$ 444,368	$ 6,596,796
Cash Paid to Employees	(539,908)	(788,219)	-	(1,328,127)
Cash Paid to Suppliers	(407,202)	(634,188)	(189,889)	(1,231,279)
Cash Paid for Other Expenses	(312,135)	(301,654)	(33,567)	(647,356)
Net Cash Flows from Operating Activities	1,034,585	2,134,537	220,912	3,390,034
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(115,642)	(600,555)	(36,358)	(752,555)
Payment of Debt	(721,696)	(1,202,409)	-	(1,924,105)
Payment of Interest	(169,643)	(479,204)	-	(648,847)
Proceeds from Loans	-	123,801	-	123,801
Net Cash Flows from Capital and Related Financing Activites	(1,006,981)	(2,158,367)	(36,358)	(3,201,706)
Net Change in Cash	27,604	(23,830)	184,554	188,328
Cash and Cash Equivalents at Beginning of Year	2,174,504	3,755,901	209,187	6,139,592
Cash and Cash equivalents at End of Year	$ 2,202,108	$ 3,732,071	$ 393,741	$ 6,327,920

(continued)

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Operating Income	$ 376,712	$ 1,221,670	$ 220,155	$ 1,818,537
Add: Depreciation Expense	474,933	756,523	32	1,231,488
(Increase)/Decrease in Current Assets				
Accounts Receivable	(7,762)	29,481	706	22,425
Prepaid Items	(4)	29	-	25
Material and Supply Inventory	109,390	(6,126)	-	103,264
Net Pension Asset	(999)	(1,411)	-	(2,410)
Increase in Deferred Outflows of Resources - Pension	127,211	154,109	-	281,320
Increase in Deferred Outflows of Resources - OPEB	(15,871)	(25,661)	-	(41,532)
Increase/(Decrease) in Current Liabilities			-	
Accounts Payable	5,652	29,602	19	35,273
Accrued Wages and Benefits	632	184	-	816
Accrued Vacation and Sick Leave	18,866	19,446	-	38,312
Due to Other Governments	432	70	-	502
Net Pension Liability	(182,330)	(219,663)	-	(401,993)
Net OPEB Liability	12,455	30,698	-	43,153
Increase in Deferred Inflows of Resources - Pension	91,785	118,786	-	210,571
Increase in Deferred Inflows of Resources - OPEB	23,483	26,800	-	50,283
Net Cash Flows from Operating Activities	$ 1,034,585	$ 2,134,537	$ 220,912	$ 3,390,034

See accompanying notes to the basic financial statements.

CITY OF URBANA, OHIO
CHAMPAIGN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2018

		Agency Funds
Assets		
Pooled Cash and Investments	$	144,036
Accounts Receivable		1,996
Total Assets		146,032
Liabilities		
Due to Others		144,608
Accounts Payable		1,424
Total Liabilities	$	146,032

See accompanying notes to the basic financial statements.

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, storm water, recycling, recreation, planning and zoning and general administrative services.

For financial reporting purposes, the City includes in this report all funds, agencies, boards, commissions, and departments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus". Under the provisions of GASB Statement No. 14, the City of Urbana is the primary government, since it is a general purpose government that has a separate elected governing body; functions as a separate legal entity; and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue debt. As required by generally accepted accounting principles, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data is combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. There are no blended or discretely presented component units at December 31, 2018.

Jointly Governed Organizations

Champaign Countywide Public Safety Communications System Council of Governments

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and Cash Equivalents and Investments

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

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

The City did not have any investments at year end.

(d) Receivables and Payables

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

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

(e) Notes Receivable

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

(f) Inventory and Prepaid Assets

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Capital Assets and Depreciation

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

In the case of the initial capitalization of general infrastructure assets (i.e. those reported in the governmental activities) the City chose to include all such items acquired from January 1, 1980 through the present. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (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 acquisition value of the item at the date of its donation.

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

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

Description	Estimated Useful Life (Years)
Land improvements	25
Buildings and improvements	25
Vehicles	3-5
Machinery and equipment	5-20
Infrastructure	25-50

(h) Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, other postemployment benefits (OPEB), and unavailable revenue. Property taxes and payments lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of Net Position and governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, grants and entitlements, and other revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on both the government-wide and proprietary statements of net position (See Notes 12 and 13).

***(i*) Pensions/Other Postemployment Benefits (OPEB)**

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

(j) Unearned Revenue

Other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue on the statement of net position and governmental fund balance sheet. Income taxes not received within the available period due at December 31, 2018, are recorded as unavailable revenue in the governmental funds and as revenue on the statement of activities.

(k) Compensated Absences

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

(l) Long Term Obligations

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fund Balance

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

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

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

Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use the resources created by enabling legislation only for the purposes specified by the legislation.

Committed - resources that can be used only for specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - resources that are intended to the used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. The finance director is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

(n) Net Position

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

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

(o) Estimates

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

NOTE 3 – ACCOUNTABILITY

Deficit Fund Balances – The following deficit fund balances are primarily the result of accrued liabilities recorded with the application of generally accepted accounting principles. The general fund is responsible for fund deficits; however, transfers are recorded when cash is needed rather than when the accruals occurs.

Fund	Balance
Other Governmental Funds:	
Victim Assistance Grant	$ (33)
Probation Grant	(6,474)
Mausoleum Trust	(58,356)

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. 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;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds or other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances (for a period not to exceed one hundred and eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met; and

8. 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;

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

(a) Cash on Hand

At year end, the City had $1,109 in undeposited petty cash on hand which is included on the financial statements of the City as part of "pooled cash and investments".

(b) Deposits with Financial Institutions

At year-end, the carrying amount of the City's deposits was $16,974,450, which includes certificates of deposit totaling $2,481,711 and cash with fiscal agent totaling $380,000 and the bank balance was $16,723,162. Of the bank balance, $1,229,816 was covered by federal depository insurance, and the remaining amount was collateralized.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the FDIC or may pledge a single pool of collateral for the benefit of every depositor via the Ohio Pooled Collateral Program administered by the Treasurer of State. Specific collateral must equal or exceed 105% of the carrying value of assets, whereas pooled collateral must equal or exceed 102% or lesser amount as determined by the Treasurer of State. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC. The City does not have a policy for custodial credit risk.

(c) Investments

As of December 31, 2018, the City did not have any investments.

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

Credit Risk: The City has no investment policy that would further limit its investment choices.

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

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2018:

Cash and Investments Per Note	
Carrying Amount of Deposits	$ 16,974,450
Cash on Hand	1,109
Total	$ 16,975,559
Cash and Investments Per Statements of Net Position	
Governmental and Business-type Activities	$ 16,831,523
Agency Funds	144,036
Total	$ 16,975,559

NOTE 5 - NOTES RECEIVABLE

During 2011, the City loaned Sarica/Hughley and Phillips LLC, $950,000, to assist in financing the cost to retain and expand their company within the City. In consideration of the repayment of the note, monthly payments of $4,806 began on July 1, 2011 and continue on the first day of each month until June 1, 2031 when the remaining principal at that time on the note shall become due and payable in full. Sarica/Hughley and Phillips LLC made twelve payments, totaling $43,147 during 2018. At December 31, 2018, the balance of the Sarica/Hughley and Phillips LLC note was $640,946. In addition, the City had Community Development Block Grant loans outstanding at year-end totaling $1,077, for a total notes receivable balance at December 31, 2018 of $642,023.

NOTE 6 – INCOME TAXES

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

The tax rate applied in 2018 was 1.4% of which 1% was unvoted and 0.4% was voted. The additional 0.4% tax became effective January 1, 1992 and is designated to fund fire and police personnel and capital improvement costs.

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

NOTE 7 – PROPERTY TAXES

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

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

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

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

The assessed valuations of the City for tax year 2017, which were used to collect taxes in calendar year 2018, are as follows:

	Amount	Percent
Real Estate (Other Than Public Utility)	$180,846,690	95.9 %
Public Utility	7,725,560	4.1 %
Total Assessed Value	$188,572,250	100.0%

NOTE 8 – TAX ABATEMENTS

Community Reinvestment Area

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

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

The gross dollar amount for the total abated value of the CRA parcels for 2018 was as follows:

Company	Term	Percent	Amount
Muzzy Properties, LLC (Marshall Plastics)	2003-2017	100	$ 6,260
Interstate Truckers Inc.	2005-2019	100	6,260
Phoenix Drive Properties, LLC	2009-2018	75	19,680
			$ 32,200

NOTE 8 – TAX ABATEMENTS (Continued)

Enterprise Zone

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

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

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

The gross dollar amount for the total abated value of the EZ parcel for 2018 was as follows:

Company	Term	Percent	Amount
Ultra Met Company	2009-2018	75	$ 4,070
Willow Run Realty and American Pan Company	2013-2022	75	54,180
			$ 58,250

NOTE 9 – CAPITAL ASSETS

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

Governmental Activities

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	$ 3,609,111	$ -	$ -	$ -	$ 3,609,111
Construction in Progress	1,157,125	549,943	-	(1,358,566)	348,502
Total Nondepreciable Assets	4,766,236	549,943	-	(1,358,566)	3,957,613
Depreciable Capital Assets					
Building and Improvements	16,138,432	20,125	-	-	16,158,557
Vehicles	3,609,467	323,980	(103,900)	-	3,829,547
Machinery and Equipment	1,611,671	200,431	-	-	1,812,102
Infrastructure	20,437,285	-	-	1,358,566	21,795,851
Total Depreciable Assets	41,796,855	544,536	(103,900)	1,358,566	43,596,057
Less accumulated depreciation					
Building and Improvements	14,123,986	322,466	-	-	14,446,452
Vehicles	2,912,148	310,449	(103,900)	-	3,118,697
Machinery and Equipment	1,426,712	60,267	-	-	1,486,979
Infrastructure	7,117,345	503,383	-	-	7,620,728
Total accumulated depreciation	25,580,191	1,196,565	(103,900)	-	26,672,856
Depreciable Capital Assets, Net of accumulated depreciation	16,216,664	(652,029)	-	1,358,566	16,923,201
Total Capital Assets, Net	$ 20,982,900	$ (102,086)	$ -	$ -	$ 20,880,814

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NOTE 9 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General Government	$ 95,850
Public Safety	137,735
Transportation	859,114
Health	44,553
Leisure Activities	59,313
Total depreciation expense	$ 1,196,565

Business Type Activities

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Land	$ 949,796	$ 62,000	$ -	$ -	$ 1,011,796
Construction in Progress	-	135,701	-	-	135,701
Total Nondepreciable Assets	949,796	197,701	-	-	1,147,497
Depreciable Capital Assets					
Buildings	53,959,994	64,269	-	-	54,024,263
Vehicles	587,584	34,743	-	-	622,327
Machinery and Equipment	3,217,332	55,205	-	-	3,272,537
Infrastructure	14,700,662	400,637	-	-	15,101,299
Total Depreciable Assets	72,465,572	554,854	-	-	73,020,426
Less accumulated depreciation					
Buildings	30,474,540	736,561	-	-	31,211,101
Vehicles	385,919	101,156	-	-	487,075
Machinery and Equipment	2,585,742	106,437	-	-	2,692,179
Infrastructure	1,957,056	287,334	-	-	2,244,390
Total accumulated depreciation	35,403,257	1,231,488	-	-	36,634,745
Depreciable Assets, Net	37,062,315	(676,634)	-	-	36,385,681
Total Capital Assets, Net	$ 38,012,111	$ (478,933)	$ -	$ -	$ 37,533,178

NOTE 10 – LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2018:

Governmental Activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2010 Various Purpose Bonds GO Bonds 2011-2030 2.0-5.0%	$ 402,866	$ -	$ (25,168)	$ 377,698	$ 27,427
Mausoleum Refunding Bonds 2011-2030 6.75%	410,000	-	(20,000)	390,000	20,000
OPWC Loan - Phoenix Dr (CK11P) 2013-2033	200,433	-	(12,932)	187,501	12,932
Stryker Power Load Systems Financing 2016-2019	29,765	-	(14,883)	14,882	14,882
2018 Real Estate Acquisition Bond Anticipation Notes 2018-2038 4.39-4.75%	-	380,000	-	380,000	14,754
Total	1,043,064	380,000	(72,983)	1,350,081	89,995
Net Pension Liability					
OPERS	3,284,528	-	(1,103,887)	2,180,641	-
OP&F	7,952,654	-	(366,580)	7,586,074	-
Net OPEB Liability					
OPERS	1,454,752	44,369	-	1,499,121	-
OP&F	5,959,934	1,043,239	-	7,003,173	-
Compensated Absences	905,160	297,635	(243,264)	959,531	220,064
Landfill Post Closure Liability	523,414	-	(323,414)	200,000	200,000
Unfunded P & F Pension Obligation Police & Fire Pension Levy Fund	204,866	-	(204,866)	-	-
Total Governmental Activities Long Term Liabilities	$21,328,372	$ 1,765,243	$ (2,314,994)	$ 20,778,621	$ 510,059

NOTE 10 – LONG TERM LIABILITIES (Continued)

The following is a summary of changes in long-term liabilities of the business-type activities for the year ended December 31, 2018:

Business-Type Activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Fund:					
OPWC 0% Interest Loan- CK26C	$ 100,411	$ -	$ (22,314)	$ 78,097	$ 22,314
OPWC 0% Interest Loan Well Field	47,338	-	(4,734)	42,604	4,734
OWDA Loan 2008-2029 3.0% North 29 Water System Improvement	3,854,761	-	(265,679)	3,589,082	274,680
OPWC 0% Interest Loan Well Field	575,000	-	(50,000)	525,000	50,000
OPWC 0% Interest Loan- CT Communication Utility Extension	52,607	-	(4,112)	48,495	4,112
OPWC - South Main Water Main (CK19O) 2013-2033	289,679	-	(19,312)	270,367	19,312
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	186,978	-	(11,685)	175,293	12,671
ODWA Phase I Water Main Replacement (#6731) 2016-2035	2,378,613	-	(82,023)	2,296,590	114,665
OPWC 0% Interest Loan Wooddale Amherst 2016-2036	527,250	-	(28,500)	498,750	28,500
East Lawn Avenue Tank Loan 2016-2019	211,278	-	(105,639)	105,639	105,639
Gwynne Street Tank Loan 2016-2021	530,792	-	(132,698)	398,094	132,698
Net Pension Liability OPERS	563,393	-	(182,330)	381,063	-
Net OPEB Liability OPERS	249,579	12,455	-	262,034	-
Accrued Vacation and Sick Leave	31,233	29,986	(11,120)	50,099	20,135
Total Water Fund	$ 9,598,912	$ 42,441	$ (920,146)	$ 8,721,207	$ 789,460

NOTE 10 – LONG TERM LIABILITIES (Continued)

Business-Type Activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer Fund:					
OWDA Loan 2008-2018 4.0% Sludge Handling Improvements	$ 88,813	$ -	$ (88,813)	$ -	$ -
OWDA Loan 2008-2029 3.0% Sludge Handling Facility	83,241	-	(83,241)	-	-
OWDA Loan 2008-2018 4.0% Septage Receiving Facility	67,175	-	(67,175)	-	-
OWDA Loan 2008-2018 4.0% Northwest Sanitary Replacement	78,988	-	(78,988)	-	-
OPWC 0% Northwest Sanitary	115,000		(10,000)	105,000	10,000
OPWC 0% CT Communication Utility Extension	58,420		(4,112)	54,308	4,112
OWDA - WPCLF Upgrade Design - 2.57%-2.6% (#6036 rolled into #6497) 2013-2035	19,352,048	-	(841,934)	18,510,114	880,734
OWDA Loan 2020-2029 2.9% Belt Filter Process Repalcement	-	126,560	-	126,560	-
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	370,155	-	(23,146)	347,009	24,892
Net Pension Liability OPERS	743,017	-	(219,663)	523,354	-
Net OPEB Liability OPERS	329,069	30,698	-	359,767	-
Accrued Vacation and Sick Leave	111,760	43,757	(24,311)	131,206	40,059
Total Sewer Fund	$ 21,397,686	$ 201,015	$ (1,441,383)	$ 20,157,318	$ 959,797

Accrued vacation and sick leave will be paid with available resources with the appropriate fund that relates to each particular employee. The funds include both governmental and business-type funds.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from both governmental and business-type funds. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

NOTE 10 – LONG TERM LIABILITIES (Continued)

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

In 2010, the City also issued $525,000 in bonds for the re-finance of the Mausoleum Building. The bonds mature in 2031 and have an interest rate of 6.75 percent.

During 2012, the City entered into two loan arrangements through the Ohio Public Works Commission (OPWC) and one loan with the Ohio Water Development Agency (OWDA). The two OPWC loans were to fund the Phoenix Drive ($258,623) and South Main Water Main ($386,239) projects. The OWDA loan was entered into to fund a Waste Water Plant Upgrade project. The OWDA approved a loan in the amount $20,697,045 for the project. An additional $453,388 in capitalized interest was added to the loan balance during construction.

In 2014, the City entered into another loan with the Ohio Water Development Agency (OWDA) to fund a Water Main Replacement project. The OWDA approved a loan in the amount of $2,861,925 for the project and as of December 31, 2018, the City has drawn down $2,612,525. An additional $14,681 in capitalized interest was added to the loan balance during construction.

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

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

During 2018, the City entered into a loan agreement with the Ohio Water Development Agency (OWDA) to fund the purchase of a screw press and related construction at the Water Reclamation Facility. The OWDA approved a loan in the amount of $556,170 for the project and as of December 31, 2018, the City has drawn down $125,741.

In 2018, the City also issued $380,000 in bond anticipation notes through Security National Bank for the purpose of purchasing the building and land located at 225 South Main Street. The notes mature in 2038 and have interest rates ranging from 4.39 to 4.75 percent.

NOTE 10 – LONG TERM LIABILITIES (Continued)

Annual requirements to pay principal and interest on long-term debt at December 31, 2018:

	Governmental Activities		Business-Type Activities			
			Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 89,995	$ 57,186	$ 769,325	$ 158,914	$ 919,738	$ 485,781
2020	77,806	56,975	675,286	147,832	942,701	462,076
2021	78,409	53,674	687,259	136,421	966,071	437,777
2022	78,997	50,238	555,748	124,601	990,045	412,738
2023	86,706	46,783	558,299	112,435	1,016,568	387,077
2024-2028	483,319	170,979	2,998,927	365,222	5,488,103	1,524,844
2029-2033	326,937	59,163	1,399,710	83,295	6,076,169	772,991
2034-2038	127,912	17,301	383,457	7,844	2,617,036	84,609
Total	$ 1,350,081	$ 512,299	$ 8,028,011	$ 1,136,564	$ 19,016,431	$ 4,567,893

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, 2018, the City's total net debt amounted to 4.9% 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, 2018, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

NOTE 11 – RISK MANAGEMENT

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

Casualty and Property Insurance

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained $350,000 for casualty claims and $100,000 for property claims.

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

NOTE 11 – RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 and 2016:

Casualty & Property Coverage	2017	2016
Assets	$44,452,326	$42,182,281
Liabilities	(13,004,011)	(13,396,700)
Net Position	$31,448,315	$28,785,581

At December 31, 2016 and 2017, respectively, the liabilities above include approximately $12.0 million and $11.8 million of estimated incurred claims payable. The assets above also include approximately $11.0 million and $11.3 million of unpaid claims to be billed to approximately 520 and 527 member governments in the future, as of December 31, 2016 and 2017, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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

Contributions to PEP	
2018	$ 151,105
2017	$ 151,229

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution.

Withdrawing members have no other future obligation to PEP. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $414,802 for 2018. Of this amount, $7,253 is reported as due to other governments.

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

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

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced.

Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was $626,417 for 2018. Of this amount $13,109 is reported as due to other governments.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was $0.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The net pension (asset)/liability for OPERS was measured as of December 31, 2017, and the total pension (asset)/liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension (asset)/liability was measured as of December 31, 2017 and was determined by rolling forward the total pension (asset)/liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension (asset)/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportionate Share of the Net Pension (Asset)/Liability	$ 3,085,058	$ (14,039)	$ 7,586,074	$ 10,657,093
2017 Proportion of the Net Pension (Asset)/Liability	0.019665%	0.010313%	0.123603%	
2016 Proportion of the Net Pension (Asset)/Liability	0.020217%	0.010764%	0.125557%	
2017 Change in Proportionate Share	-0.000552%	-0.000451%	-0.001954%	
Pension Expense	$ 636,518	$ 2,456	$ 757,936	$ 1,396,910

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 3,153	$ -	$ 115,127	$ 118,280
Changes of assumptions	368,681	1,226	330,565	700,472
Change in proportionate share	29,913	680	-	30,593
City contributions subsequent to the measurement date	410,096	4,706	626,417	1,041,219
Total Deferred Outflows of Resources	$ 811,843	$ 6,612	$ 1,072,109	$ 1,890,564
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 60,798	$ 4,183	$ 13,723	$ 78,704
Net difference between projected and actual earnings on pension plan investments	662,326	2,212	262,420	926,958
Changes in proportionate Share	70,525	639	672,115	743,279
Total Deferred Inflows of Resources	$ 793,649	$ 7,034	$ 948,258	$ 1,748,941

$1,041,219 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
2019	$ 262,198	$ (702)	$ 15,823	$ 277,319
2020	(91,792)	(762)	(139,576)	(232,130)
2021	(324,651)	(1,261)	(345,303)	(671,215)
2022	(237,657)	(1,207)	(138,606)	(377,470)
2023	-	(430)	84,762	84,332
Thereafter	-	(766)	20,334	19,568
Total	$ (391,902)	$ (5,128)	$ (502,566)	$ (899,596)

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions and methods applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre-1/7/13 Retirees: 3 percent, simple
	Post-1/7/13 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

Discount Rate The discount rate used to measure the total pension (asset)/liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset)/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension (asset)/liability calculated using the current period discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	$ 5,478,276	$ 3,085,058	$ 1,089,834
Combined Plan	(7,632)	(14,039)	(18,460)

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

The following table displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017 with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumption Experience Study Date	5 year period ended December 31, 2016
Investment Rate of Return	8.00 percent
Cost of Living Increases (COLA)	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates as follows, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent. For ages 67 or less, rates for police and fire are 77 percent and 68 percent, respectively. For ages 68 to 77, rates for police and fire are 105 percent and 87 percent, respectively. For ages 78 and up, rates for police and fire are 115 percent and 120 percent, respectively. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the following rates and projected with the Conduit Modified 2016 Improvement Scale. Rates for ages 59 or less for police and fire are 35 percent. Rates for ages 60 to 69 for police and fire are 60 percent and 45 percent, respectively. Rates for ages 70 to 79 for police and fire are 75 percent and 70 percent, respectively. Rates for ages 80 and up for police and fire are 100 percent and 90 percent, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017 are summarized below:

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 10,516,288	$ 7,586,074	$ 5,196,217

NOTE 13 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year would be included in due to other governments on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $0 for 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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 is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of employer contributions allocated to health care was 0.5 percent 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 is also 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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was $14,567 for 2018.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0195300%	0.12360300%	
Prior Measurement Date	0.0201310%	0.12555754%	
Change in Proportionate Share	0.0006010%	-0.0019545%	
Proportionate Share of the Net OPEB Liability	$ 2,120,922	$ 7,003,173	$ 9,124,095
OPEB Expense	$ 158,023	$ 536,218	$ 694,241

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,652	$ -	$ 1,652
Changes of assumptions	154,427	683,360	837,787
Change in proportionate share	3,758	-	3,758
City contributions subsequent to the measurement date	-	14,567	14,567
Total Deferred Outflows of Resources	$ 159,837	$ 697,927	$ 857,764
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 35,322	$ 35,322
Net difference between projected and actual earnings on OPEB plan investments	157,994	46,098	204,092
Change in proportionate share	44,826	80,944	125,770
Total Deferred Inflows of Resources	$ 202,820	$ 162,364	$ 365,184

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

$14,567 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$ 15,488	$ 71,385	$ 86,873
2020	15,488	71,385	86,873
2021	(34,462)	71,385	36,923
2022	(39,497)	37,775	(1,722)
2023	-	94,743	94,743
Therafter	-	174,323	174,323
Total	$ (42,983)	$ 520,996	$ 478,013

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$2,817,593	$2,120,922	$1,557,127

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$2,029,167	$2,120,922	$2,215,483

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

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

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$8,754,050	$7,003,173	$5,655,949

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$5,440,191	$7,003,173	$9,109,544

NOTE 14 – INTERFUND BALANCES

Interfund balances at December 31, 2018 consisted of the following:

Fund	Beginning Balance	New Advances	Advance Repayments	Ending Balance
General	$ 162,790	$ 4,106	$ (92,290)	$ 74,606
Police and Fire Levy	8,693	-	(8,693)	-
Nonmajor Governmental Funds:				
Mausoleum Trust	(70,500)	-	-	(70,500)
Victim Assistance Grant	(7,215)	(33)	7,215	(33)
Safer Grant	(76,866)	-	76,866	-
Probation Grant	(16,902)	(4,073)	16,902	(4,073)
Total Nonmajor Governmental Funds	(171,483)	(4,106)	100,983	(74,606)

In accordance with City financial policies, the City's General Fund allocates administrative costs to various other funds. The Mausoleum Trust Fund amount noted above represents monies advanced from the General Fund to pay debt service on the bonds that were issued to construct the mausoleum. The Victim Assistance Grant and Probation Grant amounts represents accrual entries to eliminate negative cash balances in those funds.

NOTE 15 – INTERFUND TRANSFERS

Interfund transfers during the fiscal year were as follows:

Fund	Transfers In	Transfers Out
General	$ -	$ 85,000
Nonmajor Governmental Funds:		
Street	5,000	-
Oak Dale Cemetery	80,000	-
Total Nonmajor Governmental Funds	85,000	-
Total	$ 85,000	$ 85,000

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

NOTE 16 – LANDFILL CLOSURE/ POST CLOSURE COSTS

State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. The City stopped accepting waste at the landfill in 1987. The Ohio EPA approved the final closure and post closure plan in January 1988. With the assistance of Arcadis Engineering, the geological engineers, the $200,000 reported as landfill post closure liability at December 31, 2018, represents the estimated costs to maintain and monitor the landfill through 2019. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 17 – CONTINGENT LIABILITIES

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

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMNT OF NET POSITION

For fiscal year 2018, the City implemented GASB Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement had the following effect on net position as reported December 31, 2017:

	Governmental Activites	Business-type Activities
Net Position December 31, 2017	$ 18,717,941	$ 14,863,973
Adjustments:		
Net OPEB Liability	(7,414,686)	(578,648)
Deferred Outflows - Payments Subsequent to Measurement Date	33,509	7,984
Restated Net Position December 31, 2017	$ 11,336,764	$ 14,293,309

For fiscal year 2018, the City implemented GASB Statement No. 85 *"Omnibus 2017"* which addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the City.

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMNT OF NET POSITION (Continued)

For fiscal year 2018, the City implemented GASB Statement No. 86 *"Certain Debt Extinguishment Issues"* which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an effect on the financial statements of the City's.

For fiscal year 2018, the City early implemented GASB Statement No. 89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*" which addresses capitalizing interest. As a result of the early implementation of this statement, the City did not capitalize interest costs associated with construction projects during the year.

NOTE 19 – SUBSEQUENT EVENT

On February 8, 2019, the City purchased the building and land located at 225 South Main Street. In order to acquire the property, the City issued $380,000 in bond anticipation notes in 2018. The notes mature in 2038 and have interest rates ranging from 4.39 to 4.75 percent.

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, 2018

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Income Taxes	$ 3,328,125	$ 3,328,125	$ 3,648,857	$ 320,732
Property Taxes	450,300	450,300	461,326	11,026
Intergovernmental	391,000	391,000	189,293	(201,707)
Charges for Services	936,500	936,500	1,058,565	122,065
Fines, Licenses, and Permits	545,875	545,875	705,554	159,679
Interest	38,000	38,000	57,545	19,545
Miscellaneous	155,000	155,000	240,982	85,982
Reimbursements	697,000	697,000	733,065	36,065
Total Revenues	6,541,800	6,541,800	7,095,187	553,387
Expenditures:				
Current:				
General Government				
City Council				
Personal Services	84,892	85,492	85,070	422
Supplies, Materials and Other	6,821	3,721	2,500	1,221
Total City Council	91,713	89,213	87,570	1,643
Mayor/Administration				
Personal Services	272,899	272,899	271,554	1,345
Supplies, Materials and Other	18,905	27,005	25,082	1,923
Total Mayor/Administration	291,804	299,904	296,636	3,268
Municipal Court				
Personal Services	611,996	609,211	599,936	9,275
Supplies, Materials and Other	99,060	101,845	95,209	6,636
Total Municipal Court	711,056	711,056	695,145	15,911
Engineering				
Personal Services	140,129	174,779	173,874	905
Supplies, Materials and Other	12,991	12,641	10,848	1,793
Total Engineering	153,120	187,420	184,722	2,698
Public Works				
Personal Services	12,172	12,172	11,958	214
Supplies, Materials and Other	152,200	146,200	141,646	4,554
Total Public Works	164,372	158,372	153,604	4,768
Finance Accounting				
Personal Services	225,997	228,997	227,220	1,777
Supplies, Materials and Other	22,758	25,783	25,706	77
Total Finance Accounting	248,755	254,780	252,926	1,854
Finance Income Tax				
Personal Services	79,754	82,054	81,935	119
Supplies, Materials and Other	21,807	19,507	17,345	2,162
Total Finance Income Tax	101,561	101,561	99,280	2,281

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, 2018

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Finance Utility Billing				
Personal Services	76,588	75,963	73,983	1,980
Supplies, Materials and Other	60,795	61,420	57,299	4,121
Total Basic Utilities	137,383	137,383	131,282	6,101
Law Department				
Personal Services	146,033	186,065	185,042	1,023
Supplies, Materials and Other	38,315	15,083	14,554	529
Total Law Department	184,348	201,148	199,596	1,552
Non-Departmental				
Supplies, Materials and Other	461,049	592,049	586,078	5,971
Total Non-Departmental	461,049	592,049	586,078	5,971
Compost and Mulch				
Personal Services	20,669	20,669	19,808	861
Supplies, Materials and Other	3,755	3,755	2,825	930
Total Compost and Mulch	24,424	24,424	22,633	1,791
Total General Government	**2,569,585**	**2,757,310**	**2,709,472**	**47,838**
Security of Person and Property				
Code Enforcement				
Personal Services	132,017	135,654	135,773	(119)
Supplies, Materials and Other	60,628	79,241	79,223	18
Total Code Enforcement	192,645	214,895	214,996	(101)
Police Services				
Personal Services	1,480,427	1,469,007	1,469,007	-
Supplies, Materials and Other	121,863	133,283	124,541	8,742
Total Police Services	1,602,290	1,602,290	1,593,548	8,742
Fire Services				
Personal Services	1,757,530	1,851,530	1,841,245	10,285
Supplies, Materials and Other	133,430	137,430	129,915	7,515
Total Fire Services	1,890,960	1,988,960	1,971,160	17,800
Total Security of Person and Property	**3,685,895**	**3,806,145**	**3,779,704**	**26,441**

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, 2018

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Leisure Activities				
Recreation Administration				
Personal Services	77,580	57,180	56,626	554
Supplies, Materials and Other	12,950	12,950	11,051	1,899
Total Recreation Administration	90,530	70,130	67,677	2,453
Recreation Programs				
Supplies, Materials and Other	6,000	9,500	9,268	232
Total Recreation Programs	6,000	9,500	9,268	232
Recreation-Pool				
Supplies, Materials and Other	92,100	99,800	98,218	1,582
Total Recreation-Pool	92,100	99,800	98,218	1,582
Recreation Parks				
Personal Services	74,867	71,041	70,996	45
Supplies, Materials and Other	31,514	51,440	49,339	2,101
Total Recreation Parks	106,381	122,481	120,335	2,146
Total Leisure Activities	**295,011**	**301,911**	**295,498**	**6,413**
Total Expenditures	**6,550,491**	**6,865,366**	**6,784,674**	**80,692**
Excess of Revenues Over/(Under) Expenditures	(8,691)	(323,566)	310,513	634,079
Other Financing Uses				
Operating Transfers Out	(85,000)	(85,000)	(85,000)	-
Total Other Financing Uses	(85,000)	(85,000)	(85,000)	-
Net Change in Fund Balance	(93,691)	(408,566)	225,513	634,079
Fund Balance January 1, 2018	2,405,634	2,405,634	2,405,634	-
Prior Year Encumbrances	95,316	95,316	95,316	-
Fund Balance December 31, 2018	**$ 2,407,259**	**$ 2,092,384**	**$ 2,726,463**	**$ 634,079**

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, 2018

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Income Taxes	$ 1,359,375	$ 1,309,375	$ 1,459,543	$ 150,168
Miscellaneous	-	-	32,394	32,394
Total Revenues	1,359,375	1,309,375	1,491,937	182,562
Expenditures:				
Current:				
Public Safety				
Personal Services	1,380,581	1,380,581	1,339,854	40,727
Supplies, Materials and Other	29,003	174,003	169,548	4,455
Total Security of Persons and Property	1,409,584	1,554,584	1,509,402	45,182
Net Change in Fund Balance	(50,209)	(245,209)	(17,465)	227,744
Fund Balance January 1, 2018	417,380	417,380	417,380	-
Prior Year Encumbrances	3,003	3,003	3,003	-
Fund Balance December 31, 2018	**$ 370,174**	**$ 175,174**	**$ 402,918**	**$ 227,744**

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, and Police Trust.

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

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

NOTE 1 - BUDGETARY PROCESS (Continued)

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

(1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).

(2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

(3) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to an assigned fund balance (GAAP).

(4) Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.

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

Net Change in Fund Balance

	General Fund	Police & Fire Levy Fund
GAAP Basis	$ 401,947	$ (17,284)
Supplemental Investment Fund Change	(5,287)	-
Income Tax Revenue Fund Change	603	-
Revenue Accruals	(53,873)	(2,972)
Expenditure Accruals	14,462	146,217
Encumbrances	(132,339)	(143,426)
Budget Basis	$ 225,513	$ (17,465)

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

Last Five Years

	2018	2017	2016	2015	2014 (1)
City's Proportion of the Net Pension (Asset)/Liability					
Traditional Plan	0.019665%	0.020217%	0.019715%	0.020529%	0.020529%
Combined Plan	0.010313%	0.010764%	0.010740%	0.009907%	0.009907%
City's Proportionate Share of the Net Pension					
Traditional Plan	$ 3,085,058	$ 4,590,938	$ 3,414,888	$ 2,476,029	$ 2,420,102
Combined Plan	(14,039)	(5,991)	(5,226)	(3,815)	(1,040)
City's Covered Payroll	$ 2,751,560	$ 2,781,113	$ 2,608,371	$ 2,561,683	$ 2,208,115
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	111.61%	164.86%	130.72%	96.51%	109.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Traditional Plan	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	137.28%	116.55%	116.90%	114.83%	104.56%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

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

Last Five Years

	2018	2017	2016	2015	2014 (1)
City's Proportion of the Net Pension Liability	0.123603%	0.125557%	0.135095%	0.144162%	0.144162%
City's Proportionate Share of the Net Pension Liability	$ 7,586,074	$ 7,952,654	$ 8,690,756	$ 7,468,214	$ 7,021,161
City's Covered Payroll	$ 2,795,416	$ 2,616,381	$ 2,721,320	$ 2,784,088	$ 2,828,327
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	271.38%	303.96%	319.36%	268.25%	248.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

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

Last Six Years

	2018	2017	2016	2015	2014	2013 (1)
Contractually Required Contribution	$ 414,802	$ 357,702	$ 333,734	$ 313,004	$ 307,402	$ 287,055
Contributions in Relation to the Contractually Required Contribution	$ 414,802	$ 357,702	$ 333,734	$ 313,004	$ 307,402	$ 287,055
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,962,869	$ 2,751,560	$ 2,781,113	$ 2,608,371	$ 2,561,683	$ 2,208,115
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

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

Last Eight Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011 (1)
Contractually Required Contribution	$ 626,417	$ 599,842	$ 560,816	$ 582,135	$ 603,310	$ 519,856	$ 418,227	$ 448,255
Contributions in Relation to the Contractually Required Contribution	$ 626,417	$ 599,842	$ 560,816	$ 582,135	$ 603,310	$ 519,856	$ 418,227	$ 448,255
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,913,388	$ 2,795,416	$ 2,616,381	$ 2,721,320	$ 2,784,088	$ 2,828,327	$ 2,672,123	$ 2,861,247
Contributions as a Percentage of Covered Payroll	21.50%	21.46%	21.43%	21.39%	21.67%	18.38%	15.65%	15.67%

(1) This schedule is intended to show information for ten years. Information prior to 2011 is not available.

See accompanying notes to the required supplementary information.

City of Urbana, Ohio
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System

Last Two Years

	2018	2017 (1)
City's Proportion of the Net OPEB Liability	0.019530%	0.020131%
City's Proportionate Share of the Net OPEB	$ 2,120,922	$ 2,033,400
City's Covered Payroll	$ 2,751,560	$ 2,781,113
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	77.08%	73.11%
Plan Fiduciary Net OPEB as a Percentage of the Total Pension Liability	54.14%	54.05%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

Last Two Years

	2018	2017 (1)
City's Proportion of the Net OPEB Liability	0.12360300%	0.12555754%
City's Proportionate Share of the Net OPEB Liability	$ 7,003,173	$ 5,959,934
City's Covered Payroll	$ 2,795,416	$ 2,616,381
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	250.52%	227.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	18.00%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

Last Six Years

	2018	2017	2016	2015	2014	2013 (1)
Contractually Required Contribution	$ -	$ 27,516	$ 55,622	$ 52,167	$ 51,205	$ 22,081
Contributions in Relation to the Contractually Required Contribution	$ -	$ 27,516	$ 55,622	$ 52,167	$ 51,205	$ 22,081
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,962,869	$ 2,751,560	$ 2,781,113	$ 2,608,371	$ 2,561,683	$ 2,208,115
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

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

Last Eight Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011 (1)
Contractually Required Contribution	$ 14,567	$ 13,977	$ 13,082	$ 13,607	$ 14,047	$ 99,676	$ 186,255	$ 197,887
Contributions in Relation to the Contractually Required Contribution	$ 14,567	$ 13,977	$ 13,082	$ 13,607	$ 14,047	$ 99,676	$ 186,255	$ 197,887
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,913,388	$ 2,795,416	$ 2,616,381	$ 2,721,320	$ 2,784,088	$ 2,828,327	$ 2,672,123	$ 2,861,247
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	3.52%	6.97%	6.92%

(1) This schedule is intended to show information for ten years. Information prior to 2011 is not available.

See accompanying notes to the required supplementary information.

Ohio Public Employees Retirement System

Changes of benefit terms. There were no significant changes of benefit terms in 2018.

Changes of assumptions. There were no significant changes in assumptions in 2018.

Ohio Police and Fire Pension System

Changes of benefit terms. There were no significant changes of benefit terms in 2018.

Changes of assumptions. Amounts reported in 2018 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.25% down to 8.00%, for the defined benefit investments.

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

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

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, 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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 21, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates, Inc.
June 21, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF URBANA

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 20, 2019