

CITY OF URBANA
CHAMPAIGN COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2019



OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Urbana, Champaign County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 22, 2020

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**CITY OF URBANA
CHAMPAIGN COUNTY**

For the Year Ended December 31, 2019

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

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020 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.
July 15, 2020

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019.

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 \$34.0 million (net position).
- The City's net position increased by approximately \$6.4 million, or 23%, 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 \$10.9 million, an increase of \$629,752 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$4.1 million, or 68% 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).

**CITY OF URBANA, OHIO
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**MANAGEMENT'S DISCUSSION & ANALYSIS
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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 35 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police and Fire Levy Fund, Capital Improvements Fund and Perpetual Investment Fund, each of which are considered to be major funds. Data from the other 31 governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 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.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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 statements can be found on pages 30-31 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 33-78 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 79-94 of this report.

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 shows the detail of the City's net position at December 31, 2019 and 2018.

**TABLE 1
Net Position**

	Governmental Activites		Business-type Activities		Total	
	2019	Restated	2019	2018	2019	Restated
		2018				2018
Assets						
Current and other assets	\$ 13,979,074	\$ 14,062,892	\$ 7,396,134	\$ 7,328,099	\$ 21,375,208	\$ 21,390,991
Capital assets, net	21,969,388	20,880,814	37,763,767	37,533,178	59,733,155	58,413,992
Net pension asset	8,884	9,924	3,716	4,115	12,600	14,039
Total Assets	<u>35,957,346</u>	<u>34,953,630</u>	<u>45,163,617</u>	<u>44,865,392</u>	<u>81,120,963</u>	<u>79,819,022</u>
Deferred Outflows of Resources						
Pension	4,000,497	1,648,853	529,256	241,711	4,529,753	1,890,564
OPEB	953,182	808,248	76,287	49,516	1,029,469	857,764
Total Deferred Outflows of Resources	<u>4,953,679</u>	<u>2,457,101</u>	<u>605,543</u>	<u>291,227</u>	<u>5,559,222</u>	<u>2,748,328</u>
Liabilities						
Current and other liabilities	1,423,579	2,217,167	492,175	414,952	1,915,754	2,632,119
Long-term liabilities:						
Due within one year	375,755	510,059	1,855,594	1,749,257	2,231,349	2,259,316
Due in more than one year:						
Net pension liability	14,270,005	9,766,715	1,646,565	904,417	15,916,570	10,671,132
Net OPEB liability	2,996,897	8,502,294	771,307	621,801	3,768,204	9,124,095
Other amounts	1,937,264	1,999,553	25,267,441	25,603,050	27,204,705	27,602,603
Total Liabilities	<u>21,003,500</u>	<u>22,995,788</u>	<u>30,033,082</u>	<u>29,293,477</u>	<u>51,036,582</u>	<u>52,289,265</u>
Deferred Inflows of Resources						
Property Taxes	602,534	602,903	-	-	602,534	602,903
Pension	591,399	1,529,010	26,552	219,931	617,951	1,748,941
OPEB	445,452	314,901	4,161	50,283	449,613	365,184
Total Deferred Inflows of Resources	<u>1,639,385</u>	<u>2,446,814</u>	<u>30,713</u>	<u>270,214</u>	<u>1,670,098</u>	<u>2,717,028</u>
Net Position:						
Net Investment in Capital Assets	20,052,859	19,521,469	10,763,233	10,350,276	30,816,092	29,871,745
Restricted	3,737,495	2,961,685	-	-	3,737,495	2,961,685
Unrestricted	(5,522,214)	(10,515,025)	4,942,132	5,242,652	(580,082)	(5,272,373)
Total Net Position	<u>\$ 18,268,140</u>	<u>\$ 11,968,129</u>	<u>\$ 15,705,365</u>	<u>\$ 15,592,928</u>	<u>\$ 33,973,505</u>	<u>\$ 27,561,057</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27."

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 the net pension asset and deferred outflows related to pension and OPEB.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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 OPEB 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.

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.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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.

Governmental Activities

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

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

Business-Type Activities

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

Other amounts due in more than one year decreased in comparison with the prior fiscal year-end. This decrease represents debt principal payments made during the year, which was only slightly offset by proceeds of loans and the inception of a new capital lease.

Governmental and Business-Type Activities

The net pension asset and 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.

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 \$34.0 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (approximately \$30.8 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 \$3.7 million) represents resources that are subject to external restrictions on how they may be used.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Table 2 details the changes in net position for the fiscal years ended December 31, 2019 and 2018.

**TABLE 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018
Program Revenues:						
Charges for Service	\$ 2,749,369	\$ 2,787,969	\$ 6,518,095	\$ 6,574,371	\$ 9,267,464	\$ 9,362,340
Operating Grants	1,080,644	721,214	-	-	1,080,644	721,214
Capital Grants	1,002,232	580,529	176,847	-	1,179,079	580,529
General Revenues:						
Income Taxes	6,992,153	6,793,091	-	-	6,992,153	6,793,091
Property and Other Local Taxes	594,518	599,361	-	-	594,518	599,361
Unrestricted Grants	365,017	134,455	-	-	365,017	134,455
Investment Earnings	103,483	63,687	-	-	103,483	63,687
Other	164,594	248,494	-	-	164,594	248,494
Total Revenues	<u>13,052,010</u>	<u>11,928,800</u>	<u>6,694,942</u>	<u>6,574,371</u>	<u>19,746,952</u>	<u>18,503,171</u>
Expenses:						
General Government	3,141,445	2,986,892	-	-	3,141,445	2,986,892
Public Safety	429,238	5,515,967	-	-	429,238	5,515,967
Health	263,096	270,428	-	-	263,096	270,428
Transportation	2,298,403	2,052,561	-	-	2,298,403	2,052,561
Community Development	64,547	40,988	-	-	64,547	40,988
Leisure Time	471,034	376,590	-	-	471,034	376,590
Basic Utilities	25,797	11,593	-	-	25,797	11,593
Interest on Long-Term Debt	58,439	46,343	-	-	58,439	46,343
Water	-	-	2,146,251	1,959,930	2,146,251	1,959,930
Sewer	-	-	4,175,546	3,091,315	4,175,546	3,091,315
Storm Water	-	-	98,879	64,336	98,879	64,336
Recycling Program	-	-	161,829	159,171	161,829	159,171
Total Expenses	<u>6,751,999</u>	<u>11,301,362</u>	<u>6,582,505</u>	<u>5,274,752</u>	<u>13,334,504</u>	<u>16,576,114</u>
Change in Net Position	<u>6,300,011</u>	<u>627,438</u>	<u>112,437</u>	<u>1,299,619</u>	<u>6,412,448</u>	<u>1,927,057</u>
Net position, Beginning	11,968,129	11,340,691	15,592,928	14,293,309	27,561,057	25,634,000
Net position, Ending	<u>\$ 18,268,140</u>	<u>\$ 11,968,129</u>	<u>\$ 15,705,365</u>	<u>\$ 15,592,928</u>	<u>\$ 33,973,505</u>	<u>\$ 27,561,057</u>

**CITY OF URBANA, OHIO
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**MANAGEMENT'S DISCUSSION & ANALYSIS
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(UNAUDITED)**

Governmental Activities. Governmental activities increased the City's net position by approximately \$6.3 million. This increase is primarily the result of an increase in capital grants received for various improvement projects undertaken by the City and income tax revenue received by the City, in addition to significant negative expenses recognized related to the statewide pension systems related to actuarially-determined net pension and OPEB liability computations.

Business-type Activities. Business-type activities increased the City's net position by \$112,437. 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	
	2019	Restated 2018	2019	Restated 2018
Governmental Activities:				
General Government	\$ (3,141,445)	\$ (2,986,892)	\$ (1,996,359)	\$ (1,924,340)
Public Safety	(429,238)	(5,515,967)	739,308	(4,267,628)
Transportation	(2,298,403)	(2,052,561)	(16,076)	(505,577)
Community Development	(64,547)	(40,988)	(52,197)	(40,664)
Leisure Time	(471,034)	(376,590)	(405,436)	(308,159)
All Other	(347,332)	(328,364)	(188,994)	(165,282)
Total Governmental Activities	(6,751,999)	(11,301,362)	(1,919,754)	(7,211,650)
Business-Type Activities:				
Water	(2,146,251)	(1,959,930)	338,040	341,662
Sewer	(4,175,546)	(3,091,315)	(406,026)	737,802
Storm Water	(98,879)	(64,336)	182,161	216,590
Recycling Program	(161,829)	(159,171)	(1,738)	3,565
Total Business-Type Activities	(6,582,505)	(5,274,752)	112,437	1,299,619
Total Expenses	\$ (13,334,504)	\$ (16,576,114)	\$ (1,807,317)	\$ (5,912,031)

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$10.9 million, an increase of \$629,752 from the previous year. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2019 and 2018.

	Fund Balance 12/31/2019	Restated Fund Balance 12/31/2018	Increase (Decrease)
General	\$ 4,288,258	\$ 3,695,508	\$ 592,750
Police and Fire Levy	747,837	487,704	260,133
Capital improvement	1,142,498	1,783,686	(641,188)
Perpetual Investment	1,827,348	1,827,348	-
Other Governmental	2,893,992	2,475,935	418,057
Total	\$ 10,899,933	\$ 10,270,181	\$ 629,752

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 \$4.1 million, or 95% of the total fund balance.

The fund balance of the City's general fund increased \$592,750 during the current fiscal year. This increase represents the amount in which revenues exceeded expenditures and transfers to other funds. Most revenues and expenditures were both fairly consistent with amounts reported in the previous year, though there was an increase in intergovernmental revenues relatively consistent with the overall increase in revenues for the fund.

The *Police and Fire Levy Fund* accounts for the income tax for additional patrolmen and firefighters that the General Fund is unable to financially support. The police and fire levy funds' fund balance increased \$260,133 during the current fiscal year. This increase represents the amount by which income tax revenues and other revenues exceeded public safety expenditures during the year. This fund experienced a slight increase in miscellaneous revenue and a decrease in capital outlay expenditures.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The *Capital Improvements Fund* accounts for the accumulation of financial resources to be used for the acquisition or construction of capital assets as well as to service debt. The Capital Improvement Funds' fund balance decreased \$641,188 during the current fiscal year. This decrease represents the amount by which capital outlays and debt service expenditures exceeded income tax, intergovernmental revenues, and an inception of capital lease. This fund experienced a significant increase in capital outlay and transportation expenditures due to capital asset acquisitions and construction in progress.

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 Fund's fund balance remained constant during the fiscal year.

The fund balance of the City's *Other Governmental Funds* increased \$418,057 during the current fiscal year. The most significant contributor to this increase was the Capital Police and Fire Fund, which increased \$304,577 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 \$1.6 million. Total net position increased \$338,040 from the previous year. This increase represents the amount in which operating income and capital grants 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 \$2.9 million. Total net position decreased \$406,026 from the previous year. This decrease represents the amount in which program expenses, interest expense, and loss on disposal of capital assets exceeded operating income during the year.

Unrestricted net position in the other proprietary funds at the end of the year amounted to \$437,368. Total net position increased \$180,423 from the previous year. This increase represents operating income for the year.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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 \$661,531 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 \$114,576, or 2%, and the final amended appropriations exceeded actual expenditures by \$52,771, or 1%.

Capital Assets

The City's investment in capital assets for its governmental activities as of December 31, 2019, amounts to approximately \$22.0 million (net of accumulated depreciation), an increase of \$1.1 million in comparison with the prior fiscal year-end. This increase represents the amount in which capital acquisitions (\$2.4 million) exceeded current year depreciation (\$1.3 million) and current year net disposals (\$46,110).

The City's investment in capital assets for its business-type activities as of December 31, 2019, amounts to approximately \$37.8 million (net of accumulated depreciation), an increase of \$230,589 in comparison with the prior fiscal year-end. This increase represents the amount in which capital acquisitions (\$2.2 million) exceeded current year depreciation (\$1.2 million) and current year net disposals (\$801,829).

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 governmental debt outstanding of approximately \$1.4 million, an increase of \$14,553 in comparison with the prior fiscal year-end. This increase represents the amount in which new loan issuances (\$159,114) exceeded current year principal reduction payments (\$144,561).

At the end of the current fiscal year, the City had total business-type debt outstanding of approximately \$27.0 million, a decrease of \$218,266 in comparison with the prior fiscal year-end. This decrease represents the amount in which current year principal reduction payments (\$1.7 million) exceeded new loan issuances (\$1.5 million).

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

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Economic Conditions

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, construction-related costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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, 225 South Main Street, Urbana, Ohio 43078.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Investments	\$ 10,288,894	\$ 6,327,048	\$ 16,615,942
Receivables:			
Income Tax	1,087,012	-	1,087,012
Property Tax	621,547	-	621,547
Other Local Taxes	561	-	561
Accounts	357,256	790,907	1,148,163
Notes	597,785	-	597,785
Due From Other Governments	864,658	-	864,658
Inventory	122,045	267,213	389,258
Prepaid Assets	39,316	10,966	50,282
Capital Assets:			
Non-Depreciable	5,465,003	1,896,107	7,361,110
Depreciable, Net	16,504,385	35,867,660	52,372,045
Net Pension Asset	8,884	3,716	12,600
Total Assets	35,957,346	45,163,617	81,120,963
Deferred Outflows of Resources			
Pension	4,000,497	529,256	4,529,753
OPEB	953,182	76,287	1,029,469
Total Deferred Outflows of Resources	4,953,679	605,543	5,559,222
Liabilities			
Accounts Payable	509,292	102,705	611,997
Accrued Wages and Benefits	141,499	22,111	163,610
Due To Other Governments	94,515	13,507	108,022
Retainage Payable	90,800	35,579	126,379
Interest Payable	5,429	318,273	323,702
Unearned Revenue	582,044	-	582,044
Long-term Liabilities			
Due Within One Year	375,755	1,855,594	2,231,349
Due in More Than One Year	1,937,264	25,267,441	27,204,705
Net Pension Liability	14,270,005	1,646,565	15,916,570
Net OPEB Liability	2,996,897	771,307	3,768,204
Total Liabilities	21,003,500	30,033,082	51,036,582
Deferred Inflows of Resources			
Property and Other Local Taxes	602,534	-	602,534
Pension	591,399	26,552	617,951
OPEB	445,452	4,161	449,613
Total Deferred Inflows of Resources	1,639,385	30,713	1,670,098
Net Position			
Net Investment in Capital Assets	20,052,859	10,763,233	30,816,092
Restricted for:			
Capital Projects	1,512,781	-	1,512,781
Transportation Programs	512,234	-	512,234
Public Safety Programs	1,160,437	-	1,160,437
Debt Service	187,072	-	187,072
Permanent Endowments	100,443	-	100,443
Grant Programs	125,495	-	125,495
Other	139,033	-	139,033
Unrestricted	(5,522,214)	4,942,132	(580,082)
Total Net Position	\$ 18,268,140	\$ 15,705,365	\$ 33,973,505

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Public Safety	\$ 429,238	\$ 890,047	\$ 278,499	\$ -
Health	263,096	158,338	-	-
Leisure Time	471,034	65,598	-	-
Community Development	64,547	12,350	-	-
Basic Utilities	25,797	-	-	-
Transportation	2,298,403	477,950	802,145	1,002,232
General Government	3,141,445	1,145,086	-	-
Interest on Debt	58,439	-	-	-
Total Governmental Activities	6,751,999	2,749,369	1,080,644	1,002,232
Business-type Activities:				
Water	2,146,251	2,307,444	-	176,847
Sewer	4,175,546	3,769,520	-	-
Storm Water	98,879	281,040	-	-
Recycling Program	161,829	160,091	-	-
Total Business-type Activities	6,582,505	6,518,095	-	176,847
Total Government	\$ 13,334,504	\$ 9,267,464	\$ 1,080,644	\$ 1,179,079

General Revenues:

- Property Taxes
- Income Taxes
- Other Local 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
\$ 739,308	\$ -	\$ 739,308
(104,758)	-	(104,758)
(405,436)	-	(405,436)
(52,197)	-	(52,197)
(25,797)	-	(25,797)
(16,076)	-	(16,076)
(1,996,359)	-	(1,996,359)
(58,439)	-	(58,439)
<u>(1,919,754)</u>	<u>-</u>	<u>(1,919,754)</u>
-	338,040	338,040
-	(406,026)	(406,026)
-	182,161	182,161
-	(1,738)	(1,738)
<u>-</u>	<u>112,437</u>	<u>112,437</u>
<u>\$ (1,919,754)</u>	<u>\$ 112,437</u>	<u>\$ (1,807,317)</u>
592,313	-	592,313
6,992,153	-	6,992,153
2,205	-	2,205
103,483	-	103,483
365,017	-	365,017
164,594	-	164,594
<u>8,219,765</u>	<u>-</u>	<u>8,219,765</u>
6,300,011	112,437	6,412,448
11,968,129	15,592,928	27,561,057
<u>\$ 18,268,140</u>	<u>\$ 15,705,365</u>	<u>\$ 33,973,505</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2019

	General Fund	Police and Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Assets:				
Pooled Cash and Investments	\$ 4,424,272	\$ 679,260	\$ 1,207,163	\$ 1,230,640
Receivables:				
Income Tax	582,328	232,931	194,109	-
Property Tax	474,450	-	-	-
Other Local Taxes	-	-	-	-
Accounts	253,552	-	15,396	-
Notes	-	-	-	596,708
Due From Other Governments	154,126	-	-	-
Due From Other Funds	8,267	-	-	-
Inventory	26,009	-	-	-
Prepaid Assets	32,342	-	-	-
Advances To Other Funds	70,500	-	-	-
Total Assets	\$ 6,025,846	\$ 912,191	\$ 1,416,668	\$ 1,827,348
Liabilities:				
Accounts Payable	\$ 42,746	\$ 2,950	\$ 156,795	\$ -
Accrued Wages and Benefits	100,495	25,772	-	-
Due To Other Governments	67,064	18,231	-	-
Retainage Payable	-	-	19,541	-
Due To Other Funds	-	-	-	-
Advances From Other Funds	-	-	-	-
Unearned Revenue	582,044	-	-	-
Total Liabilities	792,349	46,953	176,336	-
Deferred Inflows of Resources:				
Unavailable Revenue	485,049	117,401	97,834	-
Property and Other Local Taxes	460,190	-	-	-
Total Deferred Inflows of Resources	945,239	117,401	97,834	-
Fund Balances:				
Nonspendable:				
Inventory	26,009	-	-	-
Advances	70,500	-	-	-
Prepays	32,342	-	-	-
Restricted:				
Capital Projects	-	-	-	-
Transportation Programs	-	-	-	-
Public Safety Programs	-	747,837	-	-
Debt Service	-	-	-	-
Permanent Endowments	-	-	-	-
Grant Programs	-	-	-	-
Other	8,464	-	-	-
Committed:				
Transportation Programs	-	-	-	-
Other	-	-	-	-
Assigned:				
General Government	45,631	-	-	-
Security of Person and Property	9,568	-	-	-
Leisure Activity	904	-	-	-
Capital Projects	-	-	1,142,498	1,827,348
Unassigned (Deficit)	4,094,840	-	-	-
Total Fund Balances	4,288,258	747,837	1,142,498	1,827,348
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,025,846	\$ 912,191	\$ 1,416,668	\$ 1,827,348

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 2,747,559	\$ 10,288,894
77,644	1,087,012
147,097	621,547
561	561
88,308	357,256
1,077	597,785
710,532	864,658
-	8,267
96,036	122,045
6,974	39,316
-	70,500
<u>\$ 3,875,788</u>	<u>\$ 14,057,841</u>
\$ 306,801	\$ 509,292
15,232	141,499
9,220	94,515
71,259	90,800
8,267	8,267
70,500	70,500
-	582,044
<u>481,279</u>	<u>1,496,917</u>
358,173	1,058,457
142,344	602,534
<u>500,517</u>	<u>1,660,991</u>
96,036	122,045
-	70,500
6,974	39,316
1,470,646	1,470,646
172,106	172,106
283,739	1,031,576
187,072	187,072
100,443	100,443
122,936	122,936
141,455	149,919
409,516	409,516
1,383	1,383
-	45,631
-	9,568
-	904
-	2,969,846
(98,314)	3,996,526
<u>2,893,992</u>	<u>10,899,933</u>
<u>\$ 3,875,788</u>	<u>\$ 14,057,841</u>

See accompanying notes to the basic financial statements.

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total Governmental Fund Balances	\$ 10,899,933
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,969,388
The net pension asset is not a financial resource and therefore is not reported in the funds.	8,884
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Income Taxes Receivable	547,872
Property Taxes Receivable	19,013
Due From Other Governments	377,294
Accounts Receivable - Ambulance	43,056
Accounts Receivable - Cemetery	37,643
Accounts Receivable - Other	33,579
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	4,000,497
Deferred Outflows - OPEB	953,182
Deferred Inflows - Pension	(591,399)
Deferred Inflows - OPEB	(445,452)
Net Pension Liability	(14,270,005)
Net OPEB Liability	(2,996,897)
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	(948,385)
General Obligation Debt	(1,364,634)
Accrued Interest Payable	(5,429)
Net Position of Governmental Activities	<u><u>\$ 18,268,140</u></u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Police and Fire Levy Fund	Capital Improvement Fund	Perpetual Investment Fund
Revenues:				
Income Taxes	\$ 3,682,483	\$ 1,472,993	\$ 1,227,494	\$ -
Property Taxes	460,481	-	-	-
Other Local Taxes	822	-	-	-
Intergovernmental	380,465	135,821	71,994	-
Charges for Services	1,146,671	-	-	-
Fines, Licenses, and Permits	700,811	-	-	-
Interest	101,299	-	-	-
Miscellaneous	152,326	26,472	105,053	-
Total revenues	<u>6,625,358</u>	<u>1,635,286</u>	<u>1,404,541</u>	<u>-</u>
Expenditures:				
Current:				
Public Safety	3,539,917	1,358,759	-	-
Health	41,995	-	-	-
Leisure Time	297,449	-	-	-
Community Development	-	-	61,229	-
Transportation	-	-	561,278	-
General Government	2,114,247	-	213,288	-
Capital Outlay	-	16,394	1,287,927	-
Debt service:				
Principal Retirement	-	-	99,454	-
Interest and Fiscal Charges	-	-	24,762	-
Total Expenditures	<u>5,993,608</u>	<u>1,375,153</u>	<u>2,247,938</u>	<u>-</u>
Excess of Revenues				
Over (Under) Expenditures	631,750	260,133	(843,397)	-
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	43,095	-
Inception of Capital Lease	-	-	159,114	-
Transfers In	-	-	-	-
Transfers Out	(39,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(39,000)</u>	<u>-</u>	<u>202,209</u>	<u>-</u>
Net Change in Fund Balances	592,750	260,133	(641,188)	-
Fund Balance at Beginning of Year, Restated	3,695,508	487,704	1,783,686	1,827,348
Fund Balance at End of Year	<u>\$ 4,288,258</u>	<u>\$ 747,837</u>	<u>\$ 1,142,498</u>	<u>\$ 1,827,348</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 490,998	\$ 6,873,968
142,381	602,862
1,383	2,205
1,777,007	2,365,287
358,256	1,504,927
293,094	993,905
2,184	103,483
227,915	511,766
<u>3,293,218</u>	<u>12,958,403</u>
345,605	5,244,281
160,724	202,719
-	297,449
3,318	64,547
969,432	1,530,710
58,645	2,386,180
1,298,605	2,602,926
45,107	144,561
32,725	57,487
<u>2,914,161</u>	<u>12,530,860</u>
379,057	427,543
-	43,095
-	159,114
39,000	39,000
-	(39,000)
<u>39,000</u>	<u>202,209</u>
418,057	629,752
2,475,935	10,270,181
<u>\$ 2,893,992</u>	<u>\$ 10,899,933</u>

See accompanying notes to the basic financial statements.

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**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds		\$ 629,752
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
	Capital Outlays	2,427,615
	Depreciation Expense	(1,292,931)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.		(46,110)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		81,339
Repayment of bond, loan, and capital lease principal and payments towards landfill 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.		344,561
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		961,998
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(2,162,241)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		5,504,948
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources 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.		
	Inception of Capital Lease	(159,114)
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	11,146
	Accrued interest	(952)
		<hr style="width: 100%;"/>
Change in Net Position of Governmental Activities		<u><u>\$ 6,300,011</u></u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Other Enterprise Funds	Total Enterprise Funds
Assets				
Current Assets:				
Pooled Cash and Investments	\$ 1,979,698	\$ 3,932,510	\$ 414,840	\$ 6,327,048
Receivables:				
Accounts	271,564	476,423	42,920	790,907
Inventory	243,068	24,145	-	267,213
Prepaid Assets	3,227	7,739	-	10,966
Total Current Assets	<u>2,497,557</u>	<u>4,440,817</u>	<u>457,760</u>	<u>7,396,134</u>
Noncurrent Assets:				
Non-Depreciable Capital Assets	1,133,276	581,548	181,283	1,896,107
Depreciable Capital Assets, Net	11,645,775	24,186,286	35,599	35,867,660
Net Pension Asset	1,585	2,131	-	3,716
Total Noncurrent Assets	<u>12,780,636</u>	<u>24,769,965</u>	<u>216,882</u>	<u>37,767,483</u>
Total Assets	<u>15,278,193</u>	<u>29,210,782</u>	<u>674,642</u>	<u>45,163,617</u>
Deferred Outflows of Resources				
Pension	226,556	302,700	-	529,256
OPEB	33,807	42,480	-	76,287
Total Deferred Outflows of Resources	<u>260,363</u>	<u>345,180</u>	<u>-</u>	<u>605,543</u>
Liabilities				
Current Liabilities:				
Accounts Payable	40,263	35,973	26,469	102,705
Accrued Wages and Benefits	7,229	14,882	-	22,111
Due to Other Governments	4,841	8,666	-	13,507
Accrued Interest payable	72,156	246,117	-	318,273
Accrued Vacation and Sick Leave	11,296	63,176	-	74,472
Retainage Payable	26,933	1,223	7,423	35,579
Bonds Payable	12,659	25,075	-	37,734
Loan Payable	715,460	1,027,928	-	1,743,388
Total Current Liabilities	<u>890,837</u>	<u>1,423,040</u>	<u>33,892</u>	<u>2,347,769</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	22,107	73,720	-	95,827
Bonds Payable	149,975	296,859	-	446,834
Loan Payable	6,873,588	17,851,192	-	24,724,780
Net Pension Liability	702,228	944,337	-	1,646,565
Net OPEB Liability	328,940	442,367	-	771,307
Total Noncurrent Liabilities	<u>8,076,838</u>	<u>19,608,475</u>	<u>-</u>	<u>27,685,313</u>
Total Liabilities	<u>8,967,675</u>	<u>21,031,515</u>	<u>33,892</u>	<u>30,033,082</u>
Deferred Inflows of Resources				
Pension	12,862	13,690	-	26,552
OPEB	2,961	1,200	-	4,161
Total Deferred Inflows of Resources	<u>15,823</u>	<u>14,890</u>	<u>-</u>	<u>30,713</u>
Net Position				
Net Investment in Capital Assets	4,998,189	5,561,662	203,382	10,763,233
Unrestricted	1,556,869	2,947,895	437,368	4,942,132
Total Net Position	<u>\$ 6,555,058</u>	<u>\$ 8,509,557</u>	<u>\$ 640,750</u>	<u>\$ 15,705,365</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Water Revenue	Sewer Revenue	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$ 2,307,444	\$ 3,769,520	\$ 441,131	\$ 6,518,095
Total Operating Revenues	<u>2,307,444</u>	<u>3,769,520</u>	<u>441,131</u>	<u>6,518,095</u>
Operating Expenses				
Personal Services	686,356	1,046,074	-	1,732,430
Contractual Services	367,941	765,100	225,230	1,358,271
Supplies and Materials	184,935	72,657	464	258,056
Administrative Fees	307,552	250,220	34,287	592,059
Depreciation	445,314	744,604	727	1,190,645
Total Operating Expenses	<u>1,992,098</u>	<u>2,878,655</u>	<u>260,708</u>	<u>5,131,461</u>
Operating Income	<u>315,346</u>	<u>890,865</u>	<u>180,423</u>	<u>1,386,634</u>
Nonoperating Revenues (Expenses)				
Intergovernmental	176,847	-	-	176,847
Loss on Disposal of Assets	-	(796,774)	-	(796,774)
Interest Expense	(154,153)	(500,117)	-	(654,270)
Total Non-Operating Revenues (Expenses)	<u>22,694</u>	<u>(1,296,891)</u>	<u>-</u>	<u>(1,274,197)</u>
Change in Net Position	338,040	(406,026)	180,423	112,437
Net Position at Beginning of Year, Restated	6,217,018	8,915,583	460,327	15,592,928
Net Position at End of Year	<u>\$ 6,555,058</u>	<u>\$ 8,509,557</u>	<u>\$ 640,750</u>	<u>\$ 15,705,365</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water Revenue	Sewer Revenue	Other Enterprise Funds	
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,298,185	\$ 3,769,652	\$ 441,705	\$ 6,509,542
Cash Paid to Employees	(558,410)	(840,481)	-	(1,398,891)
Cash Paid to Suppliers	(606,178)	(847,584)	(218,536)	(1,672,298)
Cash Paid for Other Expenses	(296,047)	(244,639)	(34,287)	(574,973)
Net Cash Flows from Operating Activities	<u>837,550</u>	<u>1,836,948</u>	<u>188,882</u>	<u>2,863,380</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(664,364)	(1,201,409)	(167,783)	(2,033,556)
Capital grants	176,847	-	-	176,847
Payment of Debt	(818,129)	(919,921)	-	(1,738,050)
Payment of Interest	(158,914)	(493,163)	-	(652,077)
Proceeds from Loans	404,600	977,984	-	1,382,584
Net Cash Flows from Capital and Related Financing Activities	<u>(1,059,960)</u>	<u>(1,636,509)</u>	<u>(167,783)</u>	<u>(2,864,252)</u>
Net Change in Cash	(222,410)	200,439	21,099	(872)
Cash and Cash Equivalents at Beginning of Year	2,202,108	3,732,071	393,741	6,327,920
Cash and Cash equivalents at End of Year	<u>\$ 1,979,698</u>	<u>\$ 3,932,510</u>	<u>\$ 414,840</u>	<u>\$ 6,327,048</u>

(continued)

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	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	\$ 315,346	\$ 890,865	\$ 180,423	\$ 1,386,634
Add: Depreciation Expense	445,314	744,604	727	1,190,645
(Increase)/Decrease in Current Assets				
Accounts Receivable	(9,259)	(4,923)	574	(13,608)
Prepaid Items	(112)	(240)	-	(352)
Material and Supply Inventory	(67,501)	12,554	-	(54,947)
Net Pension Asset	149	250	-	399
Increase in Deferred Outflows of Resources - Pension	(124,770)	(162,775)	-	(287,545)
Increase in Deferred Outflows of Resources - OPEB	(14,524)	(12,247)	-	(26,771)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	25,816	(11,505)	7,158	21,469
Accrued Wages and Benefits	(352)	5,303	-	4,951
Accrued Vacation and Sick Leave	(16,696)	5,690	-	(11,006)
Due to Other Governments	(451)	1,809	-	1,358
Net Pension Liability	321,165	420,983	-	742,148
Net OPEB Liability	66,906	82,600	-	149,506
Decrease in Deferred Inflows of Resources - Pension	(82,959)	(110,420)	-	(193,379)
Decrease in Deferred Inflows of Resources - OPEB	(20,522)	(25,600)	-	(46,122)
Net Cash Flows from Operating Activities	<u>\$ 837,550</u>	<u>\$ 1,836,948</u>	<u>\$ 188,882</u>	<u>\$ 2,863,380</u>
Schedule of Noncash Transactions:				
Capital assets acquired with financing during the year.	\$ 136,655	\$ -	\$ -	\$ 136,655
Capital-related payables at year end.	\$ 29,180	\$ 5,118	\$ 13,500	\$ 47,798

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AS OF DECEMBER 31, 2019

	<u>Custodial Fund</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ 146,717
Total Assets	<u>146,717</u>
Net Position	
Restricted for Individuals and Other Governments	146,717
Total Net Position	<u>\$ 146,717</u>

See accompanying notes to the basic financial statements.

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Custodial Fund</u>
Additions	
Fines and Forfeitures for Individuals and Other Governments	<u>\$ 1,129,007</u>
Total Additions	<u>1,129,007</u>
Deductions	
Fines and Forfeitures Distributions to Individuals and Other Governments	<u>1,122,971</u>
Total Deductions	<u>1,122,971</u>
Net Increase in Fiduciary Net Position	6,036
Net Position at Beginning of Year, Restated	140,681
Net Position at End of Year	<u><u>\$ 146,717</u></u>

See accompanying notes to the basic financial statements.

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CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2019.

Jointly Governed Organizations

Champaign Countywide Public Safety Communications System Council of Governments

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation

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

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

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

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

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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.

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

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 fund includes a custodial fund. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial fund account for amounts collected and distributed on behalf of individuals or other governments. The City's custodial fund consists of the Champaign County Municipal Court fund.

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and Cash Equivalents and Investments

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

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

The City did not have any investments at year end.

(d) Receivables and Payables

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

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

(e) Notes Receivable

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

(f) Inventory and Prepaid Assets

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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:

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

(h) Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension 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 in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of Net Position and governmental fund financial statements.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2019, are recorded as unavailable revenue in the governmental funds and as revenue on the statement of activities.

(k) Compensated Absences

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

(l) Long Term Obligations

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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 be 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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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:	
FAA Airport Grant Fund	(\$350)
Urban Resurfacing – MSR Fund	(2,470)
MSR Improvement-Safety Grant Fund	(24,100)
MSR Improvement-Small Cities Fund	(7,986)
Mausoleum Trust Fund	(63,408)

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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 banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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 \$1,209 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 \$16,761,450, which includes certificates of deposit totaling \$2,603,440 and segregated cash totaling \$146,717, and the bank balance was \$16,964,079. Of the bank balance, \$1,253,906 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, 2019, 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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2019:

<u>Cash and Investments Per Note</u>	
Carrying Amount of Deposits	\$ 16,761,450
Cash on Hand	1,209
Total	<u>\$ 16,762,659</u>
 <u>Cash and Investments Per Statements of Net Position</u>	
Governmental and Business-type Activities	\$ 16,615,942
Custodial Funds	146,717
Total	<u>\$ 16,762,659</u>

NOTE 5 - NOTES RECEIVABLE

During 2011, the City loaned Sarica/Hughley and Phillips LLC, \$950,000, to assist in financing the cost to retain and expand their company within the City. In consideration of the repayment of the note, monthly payments of \$4,806 began on July 1, 2011 and continue on the first day of each month until June 1, 2031 when the remaining principal at that time on the note shall become due and payable in full. Sarica/Hughley and Phillips LLC made twelve payments, totaling \$44,238 during 2019. At December 31, 2019, the balance of the Sarica/Hughley and Phillips LLC note was \$596,708. 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, 2019 of \$597,785.

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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 2018, which were used to collect taxes in calendar year 2019, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$184,206,230	95.9 %
Public Utility	<u>7,920,270</u>	<u>4.1 %</u>
Total Assessed Value	<u>\$192,126,500</u>	<u>100.0%</u>

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CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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 2019, only a fraction of which represents abated City of Urbana property taxes, was as follows:

Company	Term	Percent	Amount
Crop Production Services	2005-2019	100	\$ 27,770
Phoenix BTS LLC	2018-2032	100	236,830
Phoenix Drive Properties, LLC	2009-2018	75	19,450
Weidmann	2018-2032	100	820
			<u>\$ 284,870</u>

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 2019, only a fraction of which represents abated City of Urbana property taxes, was as follows:

Company	Term	Percent	Amount
Ultra Met Company	2009-2018	75	\$ 4,020
Willow Run Realty and American Pan Company	2013-2022	75	53,540
			<u>\$ 57,560</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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	348,502	1,530,003	-	(22,613)	1,855,892
Total Nondepreciable Assets	<u>3,957,613</u>	<u>1,530,003</u>	<u>-</u>	<u>(22,613)</u>	<u>5,465,003</u>
Depreciable Capital Assets					
Building and Improvements	16,158,557	433,337	-	22,613	16,614,507
Vehicles	3,829,547	353,823	(315,985)	-	3,867,385
Machinery and Equipment	1,812,102	110,452	(74,321)	-	1,848,233
Infrastructure	21,795,851	-	-	-	21,795,851
Total Depreciable Assets	<u>43,596,057</u>	<u>897,612</u>	<u>(390,306)</u>	<u>22,613</u>	<u>44,125,976</u>
Less accumulated depreciation					
Building and Improvements	14,446,452	359,461	-	-	14,805,913
Vehicles	3,118,697	292,330	(278,125)	-	3,132,902
Machinery and Equipment	1,486,979	140,178	(66,071)	-	1,561,086
Infrastructure	7,620,728	500,962	-	-	8,121,690
Total accumulated depreciation	<u>26,672,856</u>	<u>1,292,931</u>	<u>(344,196)</u>	<u>-</u>	<u>27,621,591</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>16,923,201</u>	<u>(395,319)</u>	<u>(46,110)</u>	<u>22,613</u>	<u>16,504,385</u>
Total Capital Assets, Net	<u>\$ 20,880,814</u>	<u>\$ 1,134,684</u>	<u>\$ (46,110)</u>	<u>\$ -</u>	<u>\$ 21,969,388</u>

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 117,974
Public Safety	229,679
Transportation	838,071
Health	41,700
Leisure Activities	65,507
Total depreciation expense	<u>\$ 1,292,931</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 9 – CAPITAL ASSETS (Continued)

Business Type Activities

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Land	\$ 1,011,796	\$ -	\$ -	\$ -	\$ 1,011,796
Construction in Progress	135,701	1,854,414	-	(1,105,804)	884,311
Total Nondepreciable Assets	<u>1,147,497</u>	<u>1,854,414</u>	<u>-</u>	<u>(1,105,804)</u>	<u>1,896,107</u>
Depreciable Capital Assets					
Buildings	54,024,263	20,295	(1,469,000)	1,105,804	53,681,362
Vehicles	622,327	326,430	-	-	948,757
Machinery and Equipment	3,272,537	21,924	-	-	3,294,461
Infrastructure	15,101,299	-	-	-	15,101,299
Total Depreciable Assets	<u>73,020,426</u>	<u>368,649</u>	<u>(1,469,000)</u>	<u>1,105,804</u>	<u>73,025,879</u>
Less accumulated depreciation					
Buildings	31,211,101	648,746	(667,171)	-	31,192,676
Vehicles	487,075	123,377	-	-	610,452
Machinery and Equipment	2,692,179	116,496	-	-	2,808,675
Infrastructure	2,244,390	302,026	-	-	2,546,416
Total accumulated depreciation	<u>36,634,745</u>	<u>1,190,645</u>	<u>(667,171)</u>	<u>-</u>	<u>37,158,219</u>
Depreciable Assets, Net	<u>36,385,681</u>	<u>(821,996)</u>	<u>(801,829)</u>	<u>1,105,804</u>	<u>35,867,660</u>
Total Capital Assets, Net	<u>\$ 37,533,178</u>	<u>\$ 1,032,418</u>	<u>\$ (801,829)</u>	<u>\$ -</u>	<u>\$ 37,763,767</u>

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CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2019:

<i>Governmental Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2010 Various Purpose Bonds GO Bonds 2011-2030 2.0-5.0%	\$ 377,698	\$ -	\$ (27,266)	\$ 350,432	\$ 27,266
Mausoleum Refunding Bonds 2011-2030 6.75%	390,000	-	(20,000)	370,000	25,000
2018 Real Estate Acquisition Bond 2018-2038 4.39-4.75%	380,000	-	(14,754)	365,246	12,608
Total Bonds	1,147,698	-	(62,020)	1,085,678	64,874
OPWC Loan - Phoenix Dr (CK11P) 2013-2033, 0%	187,501	-	(12,931)	174,570	12,931
Stryker Power Load Systems Financing 2016-2019, 0%	14,882	-	(14,882)	-	-
2019 Case 621G Loader Backhoe 2019-2021, 3.22%	-	159,114	(54,728)	104,386	51,366
Total Loans	202,383	159,114	(82,541)	278,956	64,297
Net Pension Liability					
OPERS	2,180,641	1,756,928	-	3,937,569	-
OP&F	7,586,074	2,746,362	-	10,332,436	-
Net OPEB Liability					
OPERS	1,499,121	345,053	-	1,844,174	-
OP&F	7,003,173	-	(5,850,450)	1,152,723	-
Compensated Absences	959,531	315,705	(326,851)	948,385	246,584
Landfill Post Closure Liability	200,000	-	(200,000)	-	-
Total Long Term Liabilities	\$ 20,778,621	\$ 5,323,162	\$ (6,521,862)	\$ 19,579,921	\$ 375,755

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2019:

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Fund:					
2010 Various Purpose Bonds					
2011-2030 2.0-5.0%	\$ 175,293	\$ -	\$ (12,659)	\$ 162,634	\$ 12,659
OPWC 0% Interest Loan- CK26C	78,097	-	(22,314)	55,783	22,314
OPWC 0% Interest Loan Well Field	42,604	-	(4,734)	37,870	4,734
OWDA 2008-2029 Water System, 3.0%	3,589,082	-	(274,680)	3,314,402	283,987
OPWC Well Field, 0%	525,000	-	(50,000)	475,000	50,000
OPWC Utility Extension, 0%	48,495	-	(4,112)	44,383	4,112
OPWC 2013-2033 Water Main, 0%	270,367	-	(19,312)	251,055	19,312
OWDA 2016-2035 Water Main Replacement	2,296,590	-	(114,665)	2,181,925	116,970
OPWC 2016-2036 Wooddale Amherst, 0%	498,750	-	(28,500)	470,250	28,500
East Lawn Street Tank Loan, 2016-2019	105,639	-	(105,639)	-	-
Gwynne Street Tank Loan, 2016-2021	398,094	-	(132,698)	265,396	132,698
OPWC Monument Square Water Main, 0%	-	404,600	-	404,600	10,115
Ford F-550 Crane Truck, 2019-2021, 6.90%	-	137,200	(48,816)	88,384	42,718
Total Bonds and Loans	<u>8,028,011</u>	<u>541,800</u>	<u>(818,129)</u>	<u>7,751,682</u>	<u>728,119</u>
Net Pension Liability - OPERS	381,063	321,165	-	702,228	-
Net OPEB Liability - OPERS	262,034	66,906	-	328,940	-
Accrued Vacation and Sick Leave	50,099	16,760	(33,456)	33,403	11,296
Total Water Fund	<u>\$ 8,721,207</u>	<u>\$ 946,631</u>	<u>\$ (851,585)</u>	<u>\$ 8,816,253</u>	<u>\$ 739,415</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 10 – LONG TERM LIABILITIES (Continued)

<i>Business-Type Activities</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sewer Fund:					
2010 Various Purpose Bonds 2011-2030 2.0-5.0%	347,009	-	(25,075)	321,934	25,075
OPWC 0% Northwest Sanitary	\$ 105,000	\$ -	\$ (10,000)	\$ 95,000	\$ 10,000
OPWC Utility Extension, 0%	54,308	-	(4,112)	50,196	4,112
OWDA 2013-2035 WPCLF Upgrade Design, 2.57%-2.60%	18,510,114	-	(880,734)	17,629,380	903,514
OWDA 2020-2029 Belt Filter Process Replacement, 2.90%	126,560	977,984	-	1,104,544	110,302
Total Bonds and Notes	<u>19,142,991</u>	<u>977,984</u>	<u>(919,921)</u>	<u>19,201,054</u>	<u>1,053,003</u>
Net Pension Liability - OPERS	523,354	420,983	-	944,337	-
Net OPEB Liability - OPERS	359,767	82,600	-	442,367	-
Accrued Vacation and Sick Leave	131,206	45,326	(39,636)	136,896	63,176
Total Sewer Fund	<u>\$ 20,157,318</u>	<u>\$ 1,526,893</u>	<u>\$ (959,557)</u>	<u>\$ 20,724,654</u>	<u>\$ 1,116,179</u>

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.

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 10 – LONG TERM LIABILITIES (Continued)

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, 2019, 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. The final payment on the Striker Flex Financing arrangement was made in 2019.

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 matured 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 \$1,254,788 for the project and as of December 31, 2019, the City has drawn down \$1,098,781 and has incurred capitalized interest of \$5,763. This loan has not been finalized. As such, an amortization schedule is not yet available.

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.

During 2019, the City entered into a loan arrangement through the Ohio Public Works Commission (OPWC) to fund the Monument Square Water Main Improvements project. This loan was issued in the amount of \$404,600 and will mature in 2040. This loan carries an interest rate of 0 percent.

In 2019, the City also entered into a financing arrangement KS State Bank to finance the remaining balance of the purchase of a 2019 Case 621G Loader Backhoe, totaling \$159,114, over a three-year period. KS State Bank has a security interest in the equipment. In addition, in the event of default, KS State Bank may declare all payments due immediately.

In 2019, the City also entered into a financing arrangement Ford Motor Credit Company to finance the remaining balance of the purchase of a 2019 Ford F-550 Crane Truck, totaling \$137,200, over a three-year period. Ford Motor Credit Company has a security interest in the vehicle. In addition, in the event of default, Ford Motor Credit Company may declare all payments due immediately.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 10 – LONG TERM LIABILITIES (Continued)

Annual requirements to pay principal and interest on long-term debt at December 31, 2019:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Water</u>		<u>Sewer</u>	
			<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 129,172	\$ 60,336	\$ 685,401	\$ 147,832	\$ 985,419	\$ 468,174
2021	131,429	55,381	707,489	136,421	1,011,737	440,928
2022	78,997	50,238	575,978	124,601	990,045	412,738
2023	86,706	46,783	578,529	112,435	1,016,568	387,077
2024	89,405	42,907	592,633	107,205	1,043,727	360,699
2025-2029	505,879	148,689	3,144,363	295,920	5,623,244	1,381,568
2030-2034	238,370	44,346	1,067,233	58,207	6,188,929	614,578
2035-2039	104,676	11,500	301,557	2,369	1,325,225	25,598
2040	-	-	10,115	-	-	-
Total	\$ 1,364,634	\$ 460,180	\$ 7,663,298	\$ 984,990	\$ 18,184,894	\$ 4,091,360

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, 2019, the City's total net debt amounted to 7.0% 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, 2018, PEP retained \$500,000 for casualty claims and \$250,000 for property claims.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 11 – RISK MANAGEMENT (Continued)

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

Financial Position

PEP’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018 and 2017:

<u>Casualty & Property Coverage</u>	<u>2018</u>	<u>2017</u>
Assets	\$49,921,998	\$44,452,326
Liabilities	<u>(14,676,199)</u>	<u>(13,004,011)</u>
Net Position	\$35,245,799	\$31,448,315

At December 31, 2018 and 2017, respectively, the liabilities above include approximately \$13.0 million and \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.8 million and \$11.3 million of unpaid claims to be billed to approximately 538 and 527 member governments in the future, as of December 31, 2018 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	
2019	\$ 155,707
2018	\$ 151,105

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

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

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

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 5 years 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

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. For members retiring under the Combined Plan, an annual COLA will be provided on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

2019 Statutory Maximum Contribution Rates

Employer	14.0 %
Employee	10.0 %

2019 Actual Contribution Rates

Employer:	
Pension	14.0 %
Postemployment Health Care Benefits	0.0 %
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$440,393 for 2019. Of this amount, \$42,488 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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Postemployment 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 \$635,634 for 2019. Of this amount \$50,405 is reported as due to other governments.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2018, 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, 2018 and was determined by rolling forward the total pension (asset)/liability as of January 1, 2018, to December 31, 2018. 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	\$ 5,584,134	\$ (12,600)	\$ 10,332,436	\$ 15,903,970
Proportionate Share:				
Current Measurement Period	0.020390%	0.011268%	0.126582%	
Prior Measurement Period	0.019665%	0.010313%	0.123603%	
Change in Proportionate Share	0.000725%	0.000955%	0.002979%	
Pension Expense	\$ 1,289,985	\$ 1,326	\$ 1,261,413	\$ 2,552,724

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 258	\$ -	\$ 424,519	\$ 424,777
Difference between projected and actual investment earnings	757,923	2,714	1,272,947	2,033,584
Changes of assumptions	486,113	2,814	273,927	762,854
Change in proportionate share	87,822	581	144,108	232,511
City contributions subsequent to the measurement date	435,035	5,358	635,634	1,076,027
Total Deferred Outflows of Resources	<u>\$ 1,767,151</u>	<u>\$ 11,467</u>	<u>\$ 2,751,135</u>	<u>\$ 4,529,753</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 73,326	\$ 5,146	\$ 9,648	\$ 88,120
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportionate Share	31,501	1,274	497,056	529,831
Total Deferred Inflows of Resources	<u>\$ 104,827</u>	<u>\$ 6,420</u>	<u>\$ 506,704</u>	<u>\$ 617,951</u>

\$1,076,027 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, 2020. 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 <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
2020	520,922	335	390,737	911,994
2021	283,561	(210)	178,458	461,809
2022	70,311	(151)	386,398	456,558
2023	352,495	702	614,178	967,375
Thereafter	-	(987)	39,026	38,039
Total	<u>\$ 1,227,289</u>	<u>\$ (311)</u>	<u>\$ 1,608,797</u>	<u>\$ 2,835,775</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2018, using the following actuarial assumptions and methods applied to all periods included in the measurement:

	Traditional Plan	Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, Including Inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 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	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	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	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 a discount rate of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	\$ 8,249,794	\$ 5,584,134	\$ 3,369,448
Combined Plan	(4,169)	(12,600)	(18,705)

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 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

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 2018, 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 2.94% for 2018.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OP&F’s total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’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, 2018, are presented below:

Valuation Date	January 1, 2018 with actuarial liabilities rolled forward to December 31, 2018
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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2018 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
US Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	<u>120.00 %</u>	

Note: Assumptions are geometric
* 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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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	\$ 13,581,275	\$ 10,332,436	\$ 7,617,562

NOTE 13 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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.

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 2019, 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.

With the assistance of OPERS' actuary and OPERS Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero for 2019. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts for 2019 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 2019.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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.

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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 \$14,832 for 2019.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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	0.0200600%	0.12658200%	
Prior Measurement Date	0.0195300%	0.12360300%	
Change in Proportionate Share	0.0005300%	0.0029790%	
Proportionate Share of the Net OPEB Liability	\$ 2,615,481	\$ 1,152,723	\$ 3,768,204
OPEB Expense	\$ 236,391	\$ (5,664,726)	\$ (5,428,335)

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 886	\$ -	\$ 886
Changes of assumptions	84,328	597,517	681,845
Net difference between projected and actual earnings on pension plan investments	119,904	39,020	158,924
Change in proportionate share	40,560	132,422	172,982
City contributions subsequent to the measurement date	-	14,832	14,832
Total Deferred Outflows of Resources	<u>\$ 245,678</u>	<u>\$ 783,791</u>	<u>\$ 1,029,469</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 7,096	\$ 30,886	\$ 37,982
Changes of assumptions	0	319,127	319,127
Change in proportionate share	23,394	69,110	92,504
Total Deferred Inflows of Resources	<u>\$ 30,490</u>	<u>\$ 419,123</u>	<u>\$ 449,613</u>

\$14,832 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	93,119	61,188	154,307
2021	41,336	61,188	102,524
2022	20,329	27,579	47,908
2023	60,404	129,841	190,245
Therafter	-	70,040	70,040
Total	<u>\$ 215,188</u>	<u>\$ 349,836</u>	<u>\$ 565,024</u>

Actuarial Assumptions - OPERS

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

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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, 2017, rolled forward to the measurement date of December 31, 2018. 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 at 3.25 percent)
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 6.00 percent and a municipal bond rate of 3.71 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 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 (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$ 3,346,008	\$ 2,615,481	\$ 2,034,285

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 2019 is 10.0 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 Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,513,919	\$ 2,615,481	\$ 2,732,172

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 2018 and the long-term expected real rates of return:

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

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 2018, 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 a loss of 5.6 percent for 2018.

Actuarial Assumptions – OP&F

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 retirement plan involve estimates of the value 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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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
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

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

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.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
US Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	<u>120.00 %</u>	

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 4.66 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 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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 4.66 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 (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease <u>(3.66%)</u>	Current Discount Rate <u>(4.66%)</u>	1% Increase <u>(5.66%)</u>
City's proportionate share of the net OPEB liability	\$ 1,404,332	\$ 1,152,723	\$ 941,520

Changes to Retiree Health Care Model 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 will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). 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. As a result of changes from the current health care model to the stipend-based health care model, OP&F expects that it will be able to provide stipends to eligible participants for the next 15 years.

NOTE 14 – INTERFUND BALANCES

Interfund balances at December 31, 2019 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
General	\$ 74,606	\$ 8,267	\$ (4,106)	\$ 78,767
Nonmajor Governmental Funds:				
Mausoleum Trust	(70,500)	-	-	(70,500)
Victim Assistance Grant	(33)	(8,267)	33	(8,267)
Probation Grant	(4,073)	-	4,073	-
Total Nonmajor Governmental Funds	<u>(74,606)</u>	<u>(8,267)</u>	<u>4,106</u>	<u>(78,767)</u>

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 amount represents accrual entries to eliminate negative cash balances in that fund.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE 15 – INTERFUND TRANSFERS

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 39,000
Nonmajor Governmental Fund:		
Oak Dale Cemetery	39,000	-
Total Nonmajor Governmental Fund	<u>39,000</u>	<u>-</u>
Total	<u>\$ 39,000</u>	<u>\$ 39,000</u>

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

NOTE 16 – 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 17 - CONTRACTUAL COMMITMENTS

At calendar year-end, the City had the following outstanding contractual commitments:

<u>Contract</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
West Water Tower Maintenance	\$ 475,971	\$ 475,971
East Water Tower Maintenance	472,337	386,905
Monument Square Roundabout	1,865,459	177,177
Hangar Site - Construction	467,252	100,219
Hangar Site - Engineering	172,800	28,641
	<u>\$ 3,453,819</u>	<u>\$ 1,168,913</u>

The outstanding balance noted above represents the difference between the contract amount and total services completed and stored to-date through the end of the year.

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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

For fiscal year 2019, the City implemented GASB Statement No. 83, “*Certain Asset Retirement Obligations*” which enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statements did not have an effect on the financial statements of the City.

For fiscal year 2019, the City implemented GASB Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*” which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a significant effect on the financial statements of the City.

For fiscal year 2019, the City implemented GASB Statement No. 90, “*Majority Equity Interests-an amendment of GASB Statements No. 14, and No. 61*” which improves consistency and comparability of reporting a government’s major equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2019, the City implemented GASB Statement No. 84, “*Fiduciary Activities*” which enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The implementation of this statement required a restatement of the financial statements of the City.

Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported with the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These reclassifications had the following effects on beginning fund balance/net position as reported December 31, 2018:

	General Fund	Governmental Activities	Custodial Funds
	<u> </u>	<u> </u>	<u> </u>
Fund Balance/Net Position			
December 31, 2018	\$ 3,691,581	\$ 11,964,202	\$ -
GASB Statement No. 84 Adjustments	3,927	3,927	140,681
Restated Net Position December 31, 2018	<u>\$ 3,695,508</u>	<u>\$ 11,968,129</u>	<u>\$ 140,681</u>

CITY OF URBANA, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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

The City also discovered that its previously reported inventory was understated by \$129,448 in the Water Revenue Fund. The correction of this error had the following effect on previously report net position for the Water Revenue Fund and Business-Type Activities:

	Water Fund	Business-Type Activities
Net Position, December 31, 2018	\$ 6,087,570	\$ 15,463,480
Inventory Adjustments	129,448	129,448
Restated Net Position, January 1, 2019	<u>\$ 6,217,018</u>	<u>\$ 15,592,928</u>

NOTE 19 – 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, in prior years, the City reported a landfill post closure liability, which represented the estimated costs to maintain and monitor the landfill. The City concluded its obligation to report this liability during 2019.

NOTE 20 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City’s investment portfolio and investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<u>Revenues:</u>				
Income Taxes	\$ 3,354,750	\$ 3,354,750	\$ 3,669,267	\$ 314,517
Property Taxes	450,300	450,300	460,481	10,181
Intergovernmental	306,000	306,000	369,957	63,957
Charges for Services	1,055,500	1,055,500	1,124,340	68,840
Fines, Licenses, and Permits	581,100	581,100	706,008	124,908
Interest	45,000	45,000	92,128	47,128
Miscellaneous	102,500	102,500	153,632	51,132
Reimbursements	712,000	712,000	692,868	(19,132)
Total Revenues	6,607,150	6,607,150	7,268,681	661,531
<u>Expenditures:</u>				
Current:				
General Government				
City Council				
Personal Services	85,790	85,790	84,986	804
Supplies, Materials and Other	7,093	2,570	2,370	200
Total City Council	92,883	88,360	87,356	1,004
Mayor/Administration				
Personal Services	272,320	276,337	275,922	415
Supplies, Materials and Other	17,306	15,718	14,415	1,303
Total Mayor/Administration	289,626	292,055	290,337	1,718
Municipal Court				
Personal Services	618,600	638,600	636,275	2,325
Supplies, Materials and Other	103,188	113,390	100,745	12,645
Total Municipal Court	721,788	751,990	737,020	14,970
Engineering				
Personal Services	213,795	214,495	213,731	764
Supplies, Materials and Other	14,709	13,674	10,407	3,267
Total Engineering	228,504	228,169	224,138	4,031
Public Works				
Personal Services	12,070	12,170	12,116	54
Supplies, Materials and Other	147,872	143,310	140,353	2,957
Total Public Works	159,942	155,480	152,469	3,011
Finance Accounting				
Personal Services	227,406	241,206	240,422	784
Supplies, Materials and Other	23,325	24,025	23,822	203
Total Finance Accounting	250,731	265,231	264,244	987
Finance Income Tax				
Personal Services	80,290	84,740	84,642	98
Supplies, Materials and Other	20,600	17,550	16,481	1,069
Total Finance Income Tax	100,890	102,290	101,123	1,167

**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, 2019

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Finance Utility Billing				
Personal Services	76,340	76,340	75,545	795
Supplies, Materials and Other	62,384	60,626	57,702	2,924
Total Basic Utilities	<u>138,724</u>	<u>136,966</u>	<u>133,247</u>	<u>3,719</u>
Law Department				
Personal Services	190,215	230,100	230,062	38
Supplies, Materials and Other	14,259	17,944	17,801	143
Total Law Department	<u>204,474</u>	<u>248,044</u>	<u>247,863</u>	<u>181</u>
Non-Departmental				
Supplies, Materials and Other	482,918	553,971	551,876	2,095
Total Non-Departmental	<u>482,918</u>	<u>553,971</u>	<u>551,876</u>	<u>2,095</u>
Compost and Mulch				
Personal Services	20,625	21,475	21,274	201
Supplies, Materials and Other	3,500	2,650	1,467	1,183
Total Compost and Mulch	<u>24,125</u>	<u>24,125</u>	<u>22,741</u>	<u>1,384</u>
Total General Government	<u>2,694,605</u>	<u>2,846,681</u>	<u>2,812,414</u>	<u>34,267</u>
Security of Person and Property				
Code Enforcement				
Personal Services	144,105	169,289	169,043	246
Supplies, Materials and Other	72,477	70,267	69,474	793
Total Code Enforcement	<u>216,582</u>	<u>239,556</u>	<u>238,517</u>	<u>1,039</u>
Police Services				
Personal Services	1,458,100	1,480,100	1,471,802	8,298
Supplies, Materials and Other	123,020	127,313	124,089	3,224
Total Police Services	<u>1,581,120</u>	<u>1,607,413</u>	<u>1,595,891</u>	<u>11,522</u>
Fire Services				
Personal Services	1,789,225	1,676,769	1,673,612	3,157
Supplies, Materials and Other	136,239	142,865	142,865	-
Total Fire Services	<u>1,925,464</u>	<u>1,819,634</u>	<u>1,816,477</u>	<u>3,157</u>
Total Security of Person and Property	<u>3,723,166</u>	<u>3,666,603</u>	<u>3,650,885</u>	<u>15,718</u>

**CITY OF URBANA, OHIO
CHAMPAIGN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Leisure Activities				
Recreation Administration				
Personal Services	130,215	132,615	131,613	1,002
Supplies, Materials and Other	58,890	75,799	74,370	1,429
Total Recreation Administration	<u>189,105</u>	<u>208,414</u>	<u>205,983</u>	<u>2,431</u>
Recreation-Pool				
Supplies, Materials and Other	92,100	92,100	91,776	324
Total Recreation-Pool	<u>92,100</u>	<u>92,100</u>	<u>91,776</u>	<u>324</u>
Recreation Parks				
Supplies, Materials and Other	1,024	778	747	31
Total Recreation Parks	<u>1,024</u>	<u>778</u>	<u>747</u>	<u>31</u>
Total Leisure Activities	<u>282,229</u>	<u>301,292</u>	<u>298,506</u>	<u>2,786</u>
Total Expenditures	<u>6,700,000</u>	<u>6,814,576</u>	<u>6,761,805</u>	<u>52,771</u>
Excess of Revenues Over/(Under) Expenditures	(92,850)	(207,426)	506,876	714,302
Other Financing Uses				
Operating Transfers Out	(39,000)	(39,000)	(39,000)	-
Total Other Financing Uses	<u>(39,000)</u>	<u>(39,000)</u>	<u>(39,000)</u>	<u>-</u>
Net Change in Fund Balance	(131,850)	(246,426)	467,876	714,302
Fund Balance January 1, 2019	2,726,463	2,726,463	2,726,463	-
Prior Year Encumbrances	132,339	132,339	132,339	-
Fund Balance December 31, 2019	<u>\$ 2,726,952</u>	<u>\$ 2,612,376</u>	<u>\$ 3,326,678</u>	<u>\$ 714,302</u>

**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, 2019

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<u>Revenues:</u>				
Income Taxes	\$ 1,370,250	\$ 1,477,250	\$ 1,467,707	\$ (9,543)
Intergovernmental	-	-	141,228	141,228
Miscellaneous	-	-	26,472	26,472
Total Revenues	<u>1,370,250</u>	<u>1,477,250</u>	<u>1,635,407</u>	<u>158,157</u>
<u>Expenditures:</u>				
<u>Current:</u>				
Public Safety				
Personal Services	1,425,675	1,365,975	1,337,786	28,189
Supplies, Materials and Other	169,426	177,026	167,655	9,371
Total Security of Persons and Property	<u>1,595,101</u>	<u>1,543,001</u>	<u>1,505,441</u>	<u>37,560</u>
Net Change in Fund Balance	(224,851)	(65,751)	129,966	195,717
Fund Balance January 1, 2019	402,918	402,918	402,918	-
Prior Year Encumbrances	143,426	143,426	143,426	-
Fund Balance December 31, 2019	<u>\$ 321,493</u>	<u>\$ 480,593</u>	<u>\$ 676,310</u>	<u>\$ 195,717</u>

CITY OF URBANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

CITY OF URBANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

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	\$ 592,750	\$ 260,133
Supplemental Investment Fund Change	(6,835)	-
Group Insurance Fund Change	374	-
Unclaimed Monies Fund Change	(2,774)	-
Revenue Accruals	652,932	121
Expenditure Accruals	(670,974)	(127,338)
Encumbrances	(97,597)	(2,950)
Budget Basis	\$ 467,876	\$ 129,966

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 Six Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 (1)</u>
City's Proportion of the Net Pension (Asset)/Liability						
Traditional Plan	0.020390%	0.019665%	0.020217%	0.019715%	0.020529%	0.020529%
Combined Plan	0.011268%	0.010313%	0.010764%	0.010740%	0.009907%	0.009907%
City's Proportionate Share of the Net Pension						
Traditional Plan	\$ 5,584,134	\$ 3,085,058	\$ 4,590,938	\$ 3,414,888	\$ 2,476,029	\$ 2,420,102
Combined Plan	(12,600)	(14,039)	(5,991)	(5,226)	(3,815)	(1,040)
City's Covered Payroll	\$ 2,962,869	\$ 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	188.05%	111.61%	164.86%	130.72%	96.51%	109.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability						
Traditional Plan	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	126.64%	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 Six Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 (1)</u>
City's Proportion of the Net Pension Liability	0.126582%	0.123603%	0.125557%	0.135095%	0.144162%	0.144162%
City's Proportionate Share of the Net Pension Liability	\$ 10,332,436	\$ 7,586,074	\$ 7,952,654	\$ 8,690,756	\$ 7,468,214	\$ 7,021,161
City's Covered Payroll	\$ 2,913,388	\$ 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	354.65%	271.38%	303.96%	319.36%	268.25%	248.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	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 Seven Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 (1)</u>
Contractually Required Contribution	\$ 440,393	\$ 414,802	\$ 357,702	\$ 333,734	\$ 313,004	\$ 307,402	\$ 287,055
Contributions in Relation to the Contractually Required Contribution	\$ 440,393	\$ 414,802	\$ 357,702	\$ 333,734	\$ 313,004	\$ 307,402	\$ 287,055
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,145,663	\$ 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%	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 Nine Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 (1)</u>
Contractually Required Contribution	\$ 635,634	\$ 626,417	\$ 599,842	\$ 560,816	\$ 582,135	\$ 603,310	\$ 519,856	\$ 418,227	\$ 448,255
Contributions in Relation to the Contractually Required Contribution	\$ 635,634	\$ 626,417	\$ 599,842	\$ 560,816	\$ 582,135	\$ 603,310	\$ 519,856	\$ 418,227	\$ 448,255
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,966,373	\$ 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	21.43%	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 Three Years

	<u>2019</u>	<u>2018</u>	<u>2017 (1)</u>
City's Proportion of the Net OPEB Liability	0.020060%	0.019530%	0.020131%
City's Proportionate Share of the Net OPEB	\$ 2,615,481	\$ 2,120,922	\$ 2,033,400
City's Covered Payroll	\$ 2,962,869	\$ 2,751,560	\$ 2,781,113
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	88.28%	77.08%	73.11%
Plan Fiduciary Net OPEB as a Percentage of the Total Pension Liability	46.33%	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 Three Years

	<u>2019</u>	<u>2018</u>	<u>2017 (1)</u>
City's Proportion of the Net OPEB Liability	0.12658200%	0.12360300%	0.12555754%
City's Proportionate Share of the Net OPEB Liability	\$ 1,152,723	\$ 7,003,173	\$ 5,959,934
City's Covered Payroll	\$ 2,913,388	\$ 2,795,416	\$ 2,616,381
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.57%	250.52%	227.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	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 Seven Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 (1)</u>
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	\$ 3,145,663	\$ 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%	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 Nine Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 (1)</u>
Contractually Required Contribution	\$ 14,832	\$ 14,567	\$ 13,977	\$ 13,082	\$ 13,607	\$ 14,047	\$ 99,676	\$ 186,255	\$ 197,887
Contributions in Relation to the Contractually Required Contribution	\$ 14,832	\$ 14,567	\$ 13,977	\$ 13,082	\$ 13,607	\$ 14,047	\$ 99,676	\$ 186,255	\$ 197,887
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,966,373	\$ 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%	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.

CITY OF URBANA, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Ohio Public Employees Retirement System

Net Pension Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. Amounts reported in 2019 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.5% down to 7.2%, for the defined benefit investments.

Net OPEB Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. There was also a reduction in the actuarial assumed rate of return from 6.50 percent down to 6.00 percent.

Ohio Police and Fire Pension System

Net Pension Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. There were no significant changes of assumptions in 2019.

Net OPEB Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

CITY OF URBANA
CHAMPAIGN COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(PREPARED BY MANAGEMENT)
FOR THE YEAR ENDED DECEMBER 31, 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
<i>Direct</i>			
Bulletproof Vest Partnership Program	16.607	2017-17085382	\$ 360
Bulletproof Vest Partnership Program	16.607	2018-18092407	1,200
Bulletproof Vest Partnership Program	16.607	2019-19099042	582
Total Bulletproof Vest Partnership Program			<u>2,142</u>
<i>Passed Through Ohio Attorney General</i>			
Crime Victim Assistance	16.575	2017VAGENE591	33,848
Crime Victim Assistance	16.575	2018VAGENE591	8,267
Total Crime Victim Assistance			<u>42,115</u>
Total U.S. Department of Justice			44,257
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct</i>			
Airport Improvement Program	20.106	AIP-3-39-0080-2018	393,808
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	PID 103793	<u>540,580</u>
Total U.S. Department of Transportation			934,388
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct</i>			
Assistance to Firefighters Grant	97.044	EMW-2017-FO-03166	<u>127,072</u>
Total U.S. Department of Homeland Security			<u>127,072</u>
Total Expenditures of Federal Awards			<u>\$ 1,105,717</u>

The accompanying notes are an integral part of this schedule.

**CITY OF URBANA
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Prepared by Management)
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Urbana (the City) under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – MATCHING REQUIREMENTS

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

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

**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 15, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

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.

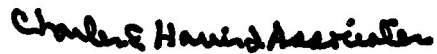
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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.

July 15, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Urbana's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2019. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City of Urbana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

July 15, 2020

**CITY OF URBANA
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
December 31, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)	No
(d)(1)(vii)	Major Programs:	Highway Planning & Construction Cluster - CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF URBANA

CHAMPAIGN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/6/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov