



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: May 21, 2015

SUBJECT: **Annual Financial Report for Year Ended June 30, 2014**

Introduction: This memo transmits the draft Annual Financial Report and auditor's communication letter for the fiscal year ended June 30, 2014. In accordance with generally accepted accounting principles, the City's financial reports include the Library's finances, and the Police and Fire Pension Funds. A representative of Baker Tilly, the City's auditor, will be present to discuss the reports.

Background:

Draft Reports: The reports included here are marked "draft." However, the financial information is final. The final version of the reports has not yet been formally issued by Baker Tilly due to additional internal review and communication with internal auditors that is required because of restatements of prior fiscal year information. However, staff felt that it was important to provide this information to the City Council as soon as possible because it is already considerably delayed.

Basis of Accounting: The reports are prepared consistent with generally accepted accounting principles (GAAP). However, there are differences between the basis on which these statements are prepared and day-to-day financial operations of the City. The timing of recognition of revenues and expenditures differs between the two. The fund balances used in preparation of the annual budget are based on adjusted cash balances because this more accurately reflects resources available to be spent. For this reason, the fund balances used in preparing the budget may differ significantly from those included in the CAFR.

Timing: The timing of transmittal of these reports is unusual. These reports would normally be presented around the end of the calendar year, about six months after the end of the fiscal year. Several factors affected the timing. Significant staff turnover in the Finance Department over the past two years has resulted in a lack of historical knowledge

and a need to thoroughly research or reconstruct some items required for the audit. The City also engaged a new audit firm, Baker Tilly. It is typical for an audit firm to spend more time on an audit in the first year as the staff become familiar with a client's finances. In addition, the auditors identified several issues with the prior year audit, which required additional work to restate FY2013 audit results.

Annual Financial Report: The annual financial report provides a summary of the City's financial activity for the year ended June 30, 2014. It is intended to present a fair and understandable picture of the City's financial position. The independent auditor's report begins on page i. Financial highlights are included in the section titled "Management's Discussion and Analysis," which begins on page 1 of the financial statements. The government-wide financial statements begin on page 12, and provide a broad overview of the City's financial position.

Communication Letter: Baker Tilly's communication letter is also included with this memo. The communication letter includes information on internal control deficiencies and concerns, as well as other important information. This letter also includes an update on upcoming changes in accounting standards.

The auditor has identified a number of deficiencies in internal controls, some of which are considered material weaknesses. A material weakness is a deficiency in an internal control that could lead to a material misstatement in the City's financial statements. Material weaknesses include the lack of external financial reporting, restatement of prior year statements, inadequate segregation of duties for processing payroll, and concerns about procedures for reconciling bank statements and preparing and reviewing journal entries. Addressing material weaknesses will be the highest priority for Finance staff. Significant deficiencies, which are less severe than a material weakness, include inadequate segregation of duties for cash disbursements and concerns about the information technology control environment.

Report of Federal Financial Assistance: This report is commonly referred to as the Single Audit and will be issued separately and provided to grantors, including state and federal agencies, as required. This report is issued pursuant to auditing standards established by the U.S. Office of Management and Budget in Circular A-133. This report has not been reviewed and issued at this point, and is not included in the packet. It will be issued soon and provided to grantors, as required.

Fiscal Impact: Presentation of the financial report has no direct impact on the City's finances, as it is a statement of activity in a prior fiscal year. However, it does inform decisions that will be made by the City Council in the future.

Recommendation: Staff asks that City Council Members thoroughly review the attached documents.

CITY OF URBANA
Urbana, Illinois

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2014

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CITY OF URBANA

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Urbana
Urbana, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Urbana'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. The financial statements of the Urbana Free Library were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the City of Urbana'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 of Urbana'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 opinions.

To the Honorable Mayor and Members of the City Council
City of Urbana

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the City of Urbana adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinions are not modified with respect to this matter.

As discussed in Note III.H to the financial statements, net position and fund balances as of June 30, 2013 has been restated to correct material misstatements. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of the City of Urbana as of June 30, 2013, prior to restatement, were audited by other auditors whose report dated May 20, 2014, expressed an unmodified opinion on those statements.

As part of the audit of the June 30, 2014 financial statements, we also audited the adjustments described in Note III.H that were applied to restate the June 30, 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2013 financial statements of the City of Urbana other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2013 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information (restated for the corrections noted in Note III.H) as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and Members of the City Council
City of Urbana

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Urbana's basic financial statements. The supplementary information (restated for corrections noted in Note III.H) as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 supplementary information (restated for corrections noted in Note III.H) is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Urbana's basic financial statements. The Introductory Section and Statistical Section (restated for corrections noted in Note III.H) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____ on our consideration of the City of Urbana'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 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 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 of Urbana's internal control over financial reporting and compliance.

Oak Brook, Illinois
DATE

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CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2014

(Unaudited)

The discussion and analysis of City of Urbana's (the "City") financial performance provides an overall review of the City's financial activities for the year ended June 30, 2014. The management of the City encourages readers to consider the information presented herein in conjunction with the transmittal letter found in the introductory section and the basic financial statements to enhance their understanding of the City's financial performance. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$131.5 million (net position). Of this amount \$30.9 million is unrestricted and may be used to meet the government's ongoing obligation to citizens and creditors.
- In total, net position decreased by \$6.2 million. This represents a -5% decrease from 2013 and is largely related to the closure of TIF 3 and properly recording a liability for the excess TIF funds that may be paid to the County for distribution to other taxing districts once claims against the TIF are settled.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30.6 million, a decrease of \$(12.6) million in comparison with the prior year. Approximately \$22.0 million is available for spending at the government's discretion (unrestricted fund balance).
- General revenues accounted for \$30.2 million in revenue or 68% of all governmental revenues. Program specific revenues in the form of charges for services and fees and grants accounted for \$14.0 million or 32% of total governmental revenues of \$44.2 million.
- The City had \$50.9 million in expenses related to government activities. However, only \$14.0 million of these expenses were offset by program specific charges and grants.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8.9 million, or 31% of the total General Fund expenditures.
- The City's total debt increased by \$3.2 million during the current year to \$7.2 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and

CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2014 (Unaudited)

- Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

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, and are reported using the accrual basis of accounting and economic resources measurement focus.

The statement of net position presents information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two 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 government's net position changed during the fiscal year being reported. 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.

The government-wide financial statements can be divided into two types of activities: governmental and business type. Governmental activities present the functions of the City that are principally supported by taxes and intergovernmental revenues. Business type activities present the functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City's governmental activities include functions like general government, public safety, highways and streets, and urban redevelopment and housing. The City's business type activities include motor vehicle parking.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, enterprise 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 and are reported using the modified accrual basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. 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 a City's near-term financing requirements.

CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2014 (Unaudited)

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 financial 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 2 major 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 and the Post-TIF 3 Escrow Fund, both of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report. The City adopts an annual budget for each of the major funds listed above. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. A budget was not adopted for the Post-TIF 3 Escrow Fund.

Proprietary funds

The City maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City utilizes enterprise funds to account for its motor vehicle parking system. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City of Urbana uses internal service funds to account for equipment services. Because these services predominantly benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements 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 the Motor Vehicle Parking Fund, which is considered to be a major fund of the City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement 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 for the government-wide financial statements.

CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2014
(Unaudited)

Notes to basic financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's contributions and funding progress of the Illinois Municipal Retirement Fund, Police Pension Fund and Firefighters' Pension Fund; as well as, budget to actual comparisons of the funds. Supplementary schedules include combining and individual fund schedules of all non-major funds and Fiduciary Funds.

Government-Wide Financial Analysis

Table 1
Condensed Statements of Net Position
(in millions of dollars)

	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2014</u>	<u>2013*</u>
	2014	2013*	2014	2013*	2014	2013*
Assets						
Current and other assets	\$ 62.3	\$ 58.8	\$ 2.6	\$ 3.1	\$ 64.9	\$ 61.9
Capital assets	<u>91.8</u>	<u>83.4</u>	<u>6.0</u>	<u>6.2</u>	<u>97.8</u>	<u>89.6</u>
Total assets	<u>154.1</u>	<u>142.2</u>	<u>8.6</u>	<u>9.3</u>	<u>162.7</u>	<u>151.5</u>
Liabilities						
Long-term liabilities	8.9	5.8	0.1	0.1	9.0	5.9
Other liabilities	<u>19.0</u>	<u>7.3</u>	<u>0.2</u>	<u>0.6</u>	<u>19.2</u>	<u>7.9</u>
Total deferred inflows of resources	<u>27.9</u>	<u>13.1</u>	<u>0.3</u>	<u>0.7</u>	<u>28.2</u>	<u>13.8</u>
Deferred inflows of resources						
Property taxes levied for future periods	<u>3.0</u>	-	-	-	<u>3.0</u>	-
Total deferred inflows of resources	<u>3.0</u>	-	-	-	<u>3.0</u>	-
Net position						
Net investment in capital assets	86.2	83.4	6.0	6.2	92.2	89.6
Restricted	8.4	10.6	-	-	8.4	10.6
Unrestricted	<u>28.6</u>	<u>35.1</u>	<u>2.3</u>	<u>2.4</u>	<u>30.9</u>	<u>37.5</u>
Total net position	<u>\$ 123.2</u>	<u>\$ 129.1</u>	<u>\$ 8.3</u>	<u>\$ 8.6</u>	<u>\$ 131.5</u>	<u>\$ 137.7</u>

CITY OF URBANA**MANAGEMENT'S DISCUSSION AND ANALYSIS**
As of and for the Year Ended June 30, 2014
(Unaudited)

* Prior year information has been updated for the restatement of net position for fiscal year 2013. Prior year information has not been updated for the City's implementation of GASB Statement No. 65 in fiscal year 2014.

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net results of activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for capital – which will increase current assets and long-term debt.

Spending borrowed proceeds on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) increase capital assets and long-term debt, which will not change the net investment in capital assets.

Spending of non-borrowed current assets on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) will reduce unrestricted net position and increase the net investment in capital assets.

Principal payment on debt – which will: (a) reduce current assets and reduce long-term debt; and, (b) reduce unrestricted net position and increase the net investment in capital assets.

Reduction of capital assets through depreciation – which will reduce capital assets and the net investment in capital assets.

Current Year Impacts

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, total net position decreased by \$6.2 million from \$137.7 million to \$131.5 million. The City's total position equal \$162.7 million. The City's total liabilities/deferred inflows of resources equal \$31.0 million.

The decrease in net position is primarily driven by the fact that expenses exceeded revenues in governmental activities. Again, this is largely due to the closure of TIF, which created an intergovernmental liability for distribution of those funds to Champaign County. This \$11.6 million expense is offset by other increases in revenues and decreases in expenditures in governmental funds.

A portion of the net position of the governmental activities is restricted for various purposes, including urban housing and development, public safety, and capital projects. The unrestricted combined balance, for both governmental and business type activities, of \$30.9 million may be used to meet the ongoing City obligations to their citizens and creditors. All net position categories show positive balances at year end.

CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2014
(Unaudited)

Table 2
Condensed Statements of Activities
(in millions of dollars)

	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013*</u>
Revenues						
<i>Program revenues</i>						
Charges for services	\$ 7.7	\$ 5.9	\$ 1.1	\$ 1.2	\$ 8.8	\$ 7.1
Operating grants and contributions	1.9	2.4	-	-	1.9	2.4
Capital grants and contributions	4.4	3.9	-	-	4.4	3.9
<i>General revenues</i>						
Property taxes	7.9	8.2	-	-	7.9	8.2
Other taxes	11.6	16.5	-	-	11.6	16.5
Intergovernmental	10.1	4.3	-	-	10.1	4.3
Other general revenues	<u>0.6</u>	<u>(0.3)</u>	<u>0.1</u>	<u>-</u>	<u>0.7</u>	<u>(0.3)</u>
Total revenues	<u>44.2</u>	<u>40.9</u>	<u>1.2</u>	<u>1.2</u>	<u>45.4</u>	<u>42.1</u>
Expenses						
General government	4.9	3.6	-	-	4.9	3.6
Public safety	15.9	16.1	-	-	15.9	16.1
Highways and streets	12.4	11.5	-	-	12.4	11.5
Urban redevelopment and housing	17.5	6.0	-	-	17.5	6.0
Interest and fiscal charges	0.1	-	-	-	0.1	-
	0.1	-	-	-	0.1	-
Motor vehicle parking	<u>-</u>	<u>-</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Total expenses	<u>50.9</u>	<u>37.2</u>	<u>0.7</u>	<u>0.7</u>	<u>51.6</u>	<u>37.9</u>
Transfers	<u>0.8</u>	<u>0.6</u>	<u>(0.8)</u>	<u>(0.6)</u>	<u>-</u>	<u>-</u>
Change in net position	(5.9)	4.3	(0.3)	(0.1)	(6.2)	4.2
Net position, beginning of year (as restated)	<u>129.1</u>	<u>124.8</u>	<u>8.6</u>	<u>8.7</u>	<u>137.7</u>	<u>133.5</u>
Net position, end of year	<u>\$ 123.2</u>	<u>\$ 129.1</u>	<u>\$ 8.3</u>	<u>\$ 8.6</u>	<u>\$ 131.5</u>	<u>\$ 137.7</u>

* Prior year information has been updated for the restatement of net position for fiscal year 2013.

CITY OF URBANA**MANAGEMENT'S DISCUSSION AND ANALYSIS**
As of and for the Year Ended June 30, 2014
(Unaudited)*Normal Impacts*

There are eight basic (normal) impacts that will affect the comparability of the revenues and expenses on the Statement of Activities summary presentation.

Revenues

Economic condition – which can reflect a declining, stable or growing economic environment, and has substantial impact on state sales, replacement and hotel/motel tax revenue; as well as, public spending habits for building permits, elective user fees, and volumes of consumption.

Increase/decrease in City approved rates – while certain tax rates are set by statute, the City has significant authority to impose and periodically increase/decrease rates (water, home rule sales tax, etc.).

Changing patterns in intergovernmental and grant revenue (both recurring and non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring grants are less predictable and often distorting in their impact on year to year comparisons.

Market impacts on investment income – the City's investments may be affected by market conditions causing investment income to increase/decrease.

Expenses

Introduction of new programs – within the functional expense categories (general government, public safety, public works, and community development), individual programs may be added or deleted to meet changing community needs.

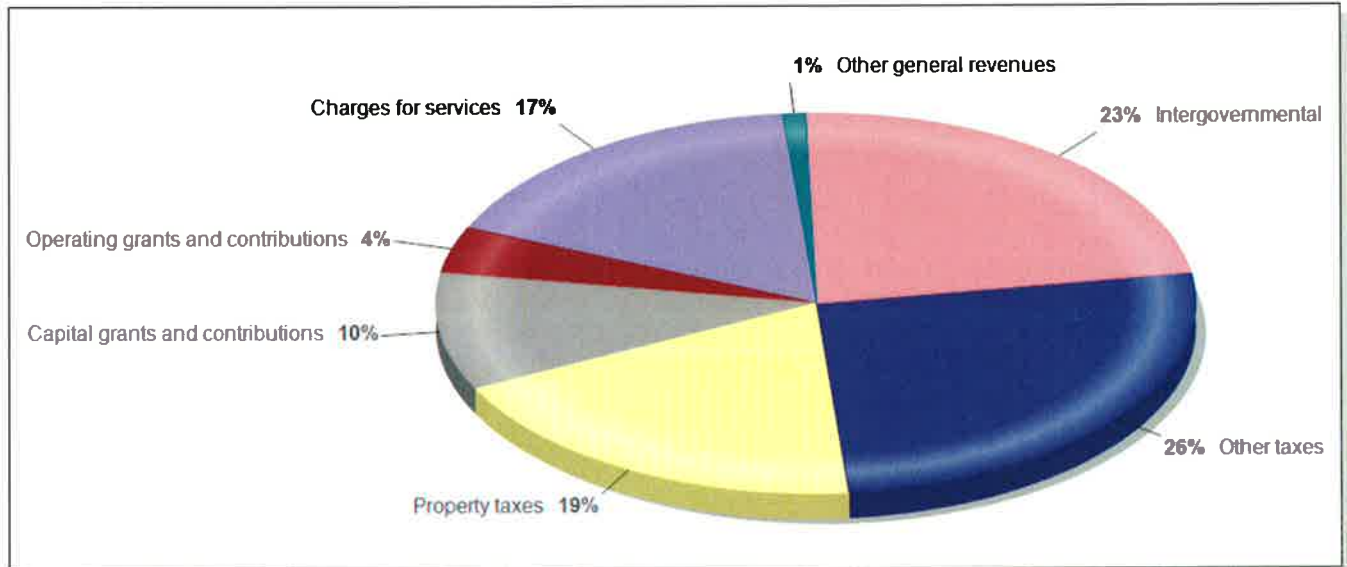
Change in authorized personnel – changes in service demand may cause the City to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent the largest operating cost of the City.

Salary increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as supplies, fuel, and parts. Some functions may experience unusual commodity specific increases.

Current Year Impacts

Governmental activities experienced an increase in revenue of \$3.3 million to \$44.2 million. Expenses grew by \$13.7 million to \$50.9 million, exceeding revenue and resulting in a decrease of \$5.9 million in the City's governmental activities net position.

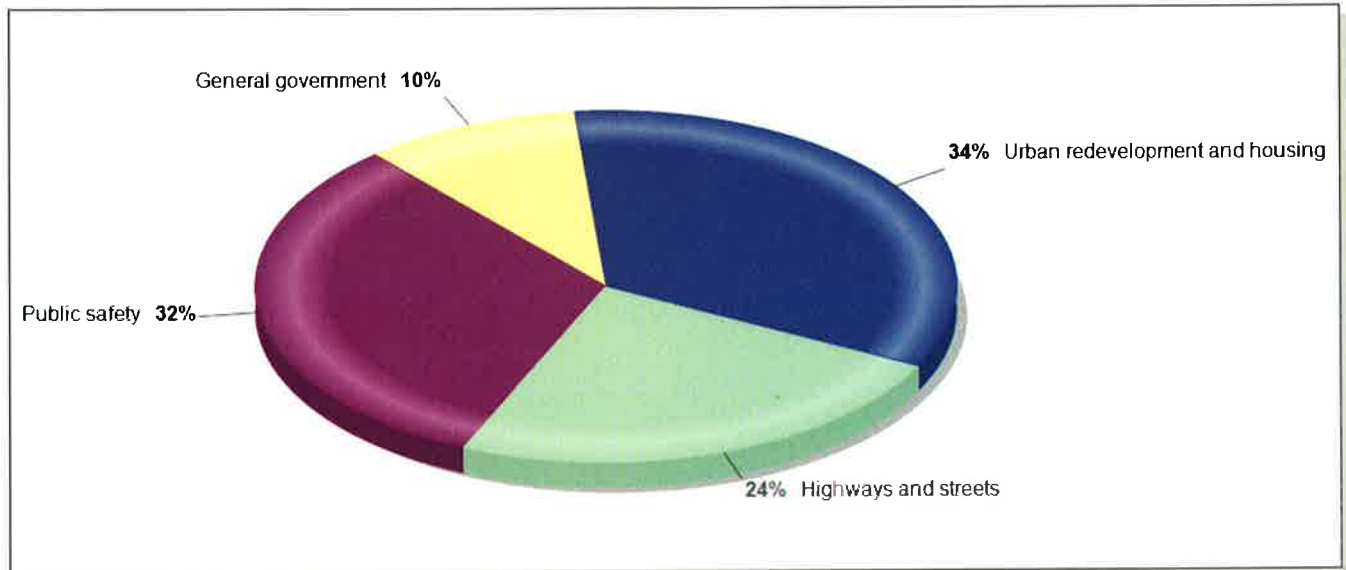
CITY OF URBANA**MANAGEMENT'S DISCUSSION AND ANALYSIS**
As of and for the Year Ended June 30, 2014
(Unaudited)**Governmental Activities****Governmental Revenues by Source****Revenues**

The City experienced an increase in revenue in governmental activities for this fiscal year. This increase in revenues amounted to \$3.3 million. This increase in revenues was directly related to increased sales tax revenues. The City implemented an 0.25% increase in the home rule sales tax rate effective January 1, 2014, which resulted in an increase in revenues beginning in April 2014.

CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2014 (Unaudited)

Governmental Expenses by Function



Expenses

The City's overall expenses in governmental activities for the current fiscal year increased by \$13.3 million over the previous year. A significant portion of this increase is related to recording an expense of \$11.9 million related to the closure of TIF 3 and the resulting amount to Champaign County for distribution to other taxing districts. Capital outlays also increased \$4 million. The increase in the General Fund expenditures was approximately 7% or \$1.9 million.

Financial Analysis of the City's Funds

The fund balance in governmental funds decreased from \$43.2 million to \$30.6 million. Again, this is largely related to the end of TIF 3 and the liability for payments to the County for remaining funds.

General Fund Budgetary Highlights

General Fund revenues of \$28.8 million exceeded budget by \$1.2 million. This was largely driven by property and sales tax revenues. Expenditures were about \$900,000 below budget, largely because expenditures in public safety and public works were significantly below the final budget.

CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Year Ended June 30, 2014
 (Unaudited)

Capital Assets and Debt Administration

Capital assets

By the end of 2014, the City had compiled a total investment of \$152.0 million (\$97.8 million net of accumulated depreciation) in a broad range of capital assets including land, buildings, infrastructure, equipment, and vehicles. Total depreciation expense for the year was \$4.9. More detailed information about capital assets can be found in Note III of the basic financial statements.

Table 3							
Capital Assets (net of depreciation)							
(in millions of dollars)							
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>		
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2014</u>	<u>2013</u>	
	2014	2013	2014	2013	2014	2013	
Land	\$ 6.8	\$ 5.6	\$ 3.8	\$ 3.8	\$ 10.6	\$ 9.4	
Construction in progress	9.5	-	-	-	9.5	-	
Buildings and improvements	5.7	5.8	2.1	2.3	7.8	8.1	
Infrastructure	64.8	66.5	-	-	64.8	66.5	
Equipment	5.0	5.5	0.1	0.1	5.1	5.6	
Total	<u>\$ 91.8</u>	<u>\$ 83.4</u>	<u>\$ 6.0</u>	<u>\$ 6.2</u>	<u>\$ 97.8</u>	<u>\$ 89.6</u>	

Debt Administration

The debt administration discussion covers two types of debt reported by the City's financial statements. The City's governmental activities include the general obligation bond issuance for the Boneyard improvement project. Overall, the City's governmental activities report a total debt of \$7.0 million. The City began the fiscal year with a balance of \$3.8 million in debt, reduced debt by \$0.8 million, and issued \$4.0 million in debt, leaving a June 30, 2014 debt balance of \$7.0 million. The City's business type activities include a revenue note related to the motor vehicle parking system. More detailed information about debt administration can be found in Note III of the basic financial statements.

CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Year Ended June 30, 2014
 (Unaudited)

Table 4
Long-Term Debt
(in millions of dollars)

	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 7.0	\$ 3.8	\$ -	\$ -	\$ 7.0	\$ 3.8
Revenue note	-	-	0.1	0.1	0.1	0.1
Total	<u>\$ 7.0</u>	<u>\$ 3.8</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 7.1</u>	<u>\$ 3.9</u>

Factors Bearing on the City's Future

The City will continue to work to overturn the state law which grants hospitals property tax relief in exchange for "charity care." This law has had a significant adverse impact on the City of Urbana, which is home to two regional hospitals. The largest, Carle, serves a region of 1.2 million people in 25 counties in Illinois and Indiana. Urbana, with a population of 41,250 accounts for 3% of the region's population. However, 83% of Carle's property is located in Urbana, which means that 3% of the population is shouldering 83% of the tax loss. Before the exemption, Carle accounted for 11% of the City's assessed value. The result is a shift in the overall tax burden to other taxpayers, which has driven the tax rate 25% above the adjacent City of Champaign, putting Urbana at a competitive disadvantage. This situation is not sustainable for the City.

The City is also facing significant reductions in the state-shared income tax, if the State Legislature approves the Governor's budget proposal. The Governor has proposed to reduce local government income tax revenues by 50%, which would be a loss of about \$2 million in General Fund revenues. This would require significant budget reductions at a time when the City is already struggling to deal with the decline in assessed value resulting from the hospital property tax exemption.

The State may also reduce funding for the University of Illinois, which is a significant driver for the local economy. Depending on the magnitude of reductions, that could have wide ranging impacts on the local economy, affecting sales taxes and other City revenues.

Requests for Information

This financial report is designed to provide the City's citizens, taxpayers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like a copy of the financial statements for the Urbana Free Library, contact the Finance Office:

Elizabeth Hannan, Finance Director
 City of Urbana
 400 S. Vine Street
 Urbana, Illinois 61803

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CITY OF URBANA

STATEMENT OF NET POSITION
As of June 30, 2014

	Governmental Activities	Business-Type Activities	Totals	Component Unit - Urbana Free Library
ASSETS				
Cash and investments	\$ 39,445,997	\$ 2,550,121	\$ 41,996,118	\$ 602,210
Receivables (net)				
Property taxes	3,339,161	-	3,339,161	1,359,161
Other taxes	867,445	-	867,445	-
Accrued interest	111,570	-	111,570	145
Accounts	1,032,496	41,401	1,073,897	-
Due from other governments	7,257,824	-	7,257,824	15,150
Grants	708,798	-	708,798	-
Internal balances	57,658	(57,658)	-	-
Due from primary government	-	-	-	885,573
Prepaid items	230,097	-	230,097	31,592
Inventory	103,348	5,481	108,829	-
Restricted assets				
Cash and investments	-	-	-	224,695
Investment in joint venture	31,087	-	31,087	-
Net pension asset	9,149,549	-	9,149,549	-
Capital Assets				
Land	6,821,517	3,765,739	10,587,256	480,732
Construction in progress	9,508,188	-	9,508,188	-
Other capital assets, net of depreciation	75,464,901	2,246,536	77,711,437	8,994,917
Total Assets	<u>154,129,636</u>	<u>8,551,620</u>	<u>162,681,256</u>	<u>12,594,175</u>
LIABILITIES				
Accounts payable	3,795,126	8,817	3,803,943	24,069
Claims payable	193,441	-	193,441	-
Accrued interest	49,943	2,442	52,385	-
Accrued salaries and taxes	1,049,726	6,793	1,056,519	55,837
Due to other governmental units	11,613,371	-	11,613,371	-
Due to component unit	885,573	-	885,573	-
Due to fiduciary funds	1,011,086	-	1,011,086	-
Unearned revenue	440,862	192,141	633,003	12,250
Noncurrent Liabilities				
Due within one year	2,245,917	16,673	2,262,590	170,110
Due in more than one year	6,670,731	42,513	6,713,244	91,911
Total Liabilities	<u>27,955,776</u>	<u>269,379</u>	<u>28,225,155</u>	<u>354,177</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for future periods	<u>2,968,179</u>	<u>-</u>	<u>2,968,179</u>	<u>1,167,570</u>
Total Deferred Inflows of Resources	<u>2,968,179</u>	<u>-</u>	<u>2,968,179</u>	<u>1,167,570</u>
NET POSITION				
Net investment in capital assets	86,211,940	5,953,089	92,165,029	9,475,649
Restricted for				
Public safety	20,376	-	20,376	-
Urban redevelopment and housing	4,475,689	-	4,475,689	-
Capital projects	3,869,357	-	3,869,357	-
Trust	-	-	-	224,484
Unrestricted	<u>28,628,319</u>	<u>2,329,152</u>	<u>30,957,471</u>	<u>1,372,295</u>
TOTAL NET POSITION	<u>\$ 123,205,681</u>	<u>\$ 8,282,241</u>	<u>\$ 131,487,922</u>	<u>\$ 11,072,428</u>

See accompanying notes to financial statements.

CITY OF URBANA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,900,067	\$ 179,098	\$ -	\$ -
Public safety	15,966,852	3,182,375	1,000	61,913
Highways and streets	12,386,164	3,236,618	20,648	4,366,993
Urban redevelopment & housing	17,506,870	1,079,740	1,837,103	4,814
Interest and fiscal charges	<u>97,863</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>50,857,816</u>	<u>7,677,831</u>	<u>1,858,751</u>	<u>4,433,720</u>
Business-type Activities				
Motor Vehicle Parking	<u>716,799</u>	<u>1,121,028</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>716,799</u>	<u>1,121,028</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 51,574,615</u>	<u>\$ 8,798,859</u>	<u>\$ 1,858,751</u>	<u>\$ 4,433,720</u>
Component Unit				
Urbana Free Library	<u>\$ 3,844,200</u>	<u>\$ 267,790</u>	<u>\$ 56,728</u>	<u>\$ 360,287</u>
General Revenues				
Taxes				
Property taxes				
Local sales taxes				
Hotel/motel taxes				
Sewer benefit taxes				
Utility taxes				
Intergovernmental				
State sales taxes				
Corporate personal property replacement taxes				
State income taxes				
Other intergovernmental				
Investment income				
Miscellaneous				
Total General Revenues				
Transfers				
Total General Revenues and Transfers				
Change in net position				
NET POSITION - Beginning of Year (as restated)				
NET POSITION - END OF YEAR				

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Urbana Free Library
\$ (4,720,969)	\$ -	\$ (4,720,969)	\$ -
(12,721,564)	-	(12,721,564)	-
(4,761,905)	-	(4,761,905)	-
(14,585,213)	-	(14,585,213)	-
(97,863)	-	(97,863)	-
<u>(36,887,514)</u>	<u>-</u>	<u>(36,887,514)</u>	<u>-</u>
-	404,229	404,229	-
-	<u>404,229</u>	<u>404,229</u>	<u>-</u>
<u>(36,887,514)</u>	<u>404,229</u>	<u>(36,483,285)</u>	<u>-</u>
-	-	-	(3,159,395)
7,901,207	-	7,901,207	2,681,754
5,091,614	-	5,091,614	-
1,028,547	-	1,028,547	-
1,303,508	-	1,303,508	-
4,160,767	-	4,160,767	-
5,809,679	-	5,809,679	-
272,666	-	272,666	87,660
3,950,540	-	3,950,540	-
103,286	-	103,286	291,325
562,229	54,526	616,755	2,476
55,491	-	55,491	16,682
<u>30,239,534</u>	<u>54,526</u>	<u>30,294,060</u>	<u>3,079,897</u>
<u>777,430</u>	<u>(777,430)</u>	<u>-</u>	<u>-</u>
<u>31,016,964</u>	<u>(722,904)</u>	<u>30,294,060</u>	<u>3,079,897</u>
(5,870,550)	(318,675)	(6,189,225)	(79,498)
<u>129,076,231</u>	<u>8,600,916</u>	<u>137,677,147</u>	<u>11,151,926</u>
<u>\$ 123,205,681</u>	<u>\$ 8,282,241</u>	<u>\$ 131,487,922</u>	<u>\$ 11,072,428</u>

See accompanying notes to financial statements.

CITY OF URBANA

BALANCE SHEET
GOVERNMENTAL FUNDS

As of June 30, 2014

	General	Post TIF 3 Escrow	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 5,176,597	\$ 11,613,371	\$ 22,522,050	\$ 39,312,018
Receivables (net)				
Property taxes	1,924,974	-	1,414,187	3,339,161
Other taxes	376,680	-	490,765	867,445
Accounts	115,518	-	916,978	1,032,496
Accrued interest	111,570	-	-	111,570
Due from other governments	4,924,325	-	2,333,499	7,257,824
Grants	-	-	708,798	708,798
Due from other funds	2,055,121	-	1,029,578	3,084,699
Prepaid items	<u>216,502</u>	<u>-</u>	<u>13,595</u>	<u>230,097</u>
TOTAL ASSETS	<u>\$ 14,901,287</u>	<u>\$ 11,613,371</u>	<u>\$ 29,429,450</u>	<u>\$ 55,944,108</u>

See accompanying notes to financial statements.

CITY OF URBANA

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	General	Post TIF 3 Escrow	Nonmajor Governmental Funds	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 502,173	\$ -	\$ 3,246,383	\$ 3,748,556
Claims payable	193,441	-	-	193,441
Accrued salaries and taxes	996,607	-	37,124	1,033,731
Due to other governments	-	11,613,371	-	11,613,371
Due to component units	885,573	-	-	885,573
Due to fiduciary funds	1,011,086	-	-	1,011,086
Due to other funds	268,377	-	2,723,463	2,991,840
Unearned revenues	279,598	-	161,264	440,862
Total Liabilities	<u>4,136,855</u>	<u>11,613,371</u>	<u>6,168,234</u>	<u>21,918,460</u>
Deferred Inflows of Resources				
Property taxes levied for future periods	1,653,468	-	1,314,711	2,968,179
Unavailable revenues for grants	-	-	431,289	431,289
Total Deferred Inflows of Resources	<u>1,653,468</u>	<u>-</u>	<u>1,746,000</u>	<u>3,399,468</u>
Fund Balances (Deficit)				
Nonspendable for prepaid items	216,502	-	13,595	230,097
Restricted for urban housing and development	-	-	4,475,689	4,475,689
Restricted for capital projects	-	-	3,869,357	3,869,357
Restricted for public safety	-	-	20,376	20,376
Committed for highways and streets	-	-	674,089	674,089
Committed for capital projects	-	-	610,057	610,057
Assigned for public safety	-	-	5,189,953	5,189,953
Assigned for urban housing and development	-	-	539,049	539,049
Assigned for social services	-	-	12,572	12,572
Assigned for workers' compensation	-	-	2,997,790	2,997,790
Assigned for public television	-	-	27,310	27,310
Assigned for capital projects	-	-	3,473,257	3,473,257
Unassigned	8,894,462	-	(387,878)	8,506,584
Total Fund Balances (deficit)	<u>9,110,964</u>	<u>-</u>	<u>21,515,216</u>	<u>30,626,180</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 14,901,287</u>	<u>\$ 11,613,371</u>	<u>\$ 29,429,450</u>	<u>\$ 55,944,108</u>

See accompanying notes to financial statements.

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CITY OF URBANA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2014

Total Fund Balances - Governmental Funds	\$ 30,626,180
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III C.	91,687,615
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	431,289
An asset is reported in the statement of net position for the cumulative overfunding of the annual required contribution to the Police Pension and Firefighters' Pension.	9,149,549
An asset is reported in the statement of net position for the equity interest in the Champaign-Urbana Waste Disposal System joint venture.	31,087
Internal service funds are reported in the statement of net position as governmental activities.	246,552
A liability is reported in the statement of net position for the net obligation relating to post employment benefits.	(429,781)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds payable	(6,985,000)
Compensated absences	(1,387,267)
Accrued interest	(49,943)
Landfill post-closure monitoring	(114,600)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 123,205,681</u>

CITY OF URBANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General	Post TIF 3 Escrow	Nonmajor Governmental Funds	Totals
REVENUES				
Property taxes	\$ 4,259,811	\$ -	\$ 3,641,396	\$ 7,901,207
Other taxes	9,559,626	-	1,303,508	10,863,134
Intergovernmental	11,950,375	-	6,644,655	18,595,030
Licenses, fines, and service charges	2,974,148	-	2,827,308	5,801,456
Investment income	7,315	136,539	418,558	562,412
Miscellaneous	-	-	55,491	55,491
Total Revenues	<u>28,751,275</u>	<u>136,539</u>	<u>14,890,916</u>	<u>43,778,730</u>
EXPENDITURES				
Current				
General government	4,507,592	-	386,933	4,894,525
Public safety	16,262,966	-	158,856	16,421,822
Highways and streets	6,376,972	-	1,720,080	8,097,052
Urban redevelopment and housing	1,610,108	11,861,053	3,942,363	17,413,524
Capital Outlay	-	-	13,433,545	13,433,545
Debt Service				
Principal	-	-	815,000	815,000
Interest and fiscal charges	-	-	60,322	60,322
Total Expenditures	<u>28,757,638</u>	<u>11,861,053</u>	<u>20,517,099</u>	<u>61,135,790</u>
Excess (deficiency) of revenues over expenditures	<u>(6,363)</u>	<u>(11,724,514)</u>	<u>(5,626,183)</u>	<u>(17,357,060)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	4,000,000	4,000,000
Transfers in	2,194,453	11,724,514	2,817,534	16,736,501
Transfers out	<u>(2,236,840)</u>	<u>-</u>	<u>(13,722,231)</u>	<u>(15,959,071)</u>
Total Other Financing Sources (Uses)	<u>(42,387)</u>	<u>11,724,514</u>	<u>(6,904,697)</u>	<u>4,777,430</u>
Net Change in Fund Balances	(48,750)	-	(12,530,880)	(12,579,630)
FUND BALANCES - Beginning of Year (as restated)	<u>9,159,714</u>	<u>-</u>	<u>34,046,096</u>	<u>43,205,810</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,110,964</u>	<u>\$ -</u>	<u>\$ 21,515,216</u>	<u>\$ 30,626,180</u>

See accompanying notes to financial statements.

CITY OF URBANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ (12,579,630)
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	13,433,545
Some items reported as capital outlay were not capitalized	(512,055)
Depreciation is reported in the government-wide financial statements	(4,490,367)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

Grants receivable	431,289
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(4,000,000)
Principal repaid	815,000

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	107,929
Accrued interest on debt	(37,541)
Other post employment benefits obligation	(108,807)
Police Pension and Firemen's Pension asset	1,047,309
Landfill post-closure monitoring	28,650

The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.

	(92,223)
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Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund reported with governmental activities.

	<u>86,351</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u>\$ (5,870,550)</u>
--	-----------------------

CITY OF URBANA

STATEMENT OF NET POSITION
PROPRIETARY FUND

As of June 30, 2014

	<u>Business-type Activities - Enterprise Fund</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Motor Vehicle Parking</u>	<u>Fund</u>
ASSETS		
Current Assets		
Cash	\$ 61,280	\$ 133,979
Investments	2,488,841	-
Accounts receivable	41,401	-
Due from other funds	-	15,719
Inventories	5,481	103,348
Total Current Assets	<u>2,597,003</u>	<u>253,046</u>
Noncurrent Assets		
Capital Assets		
Land	3,765,739	-
Parking improvements	7,752,672	-
Equipment	398,319	265,446
Less: Accumulated depreciation	<u>(5,904,455)</u>	<u>(158,455)</u>
Total Noncurrent Assets	<u>6,012,275</u>	<u>106,991</u>
Total Assets	<u>8,609,278</u>	<u>360,037</u>
LIABILITIES		
Current Liabilities		
Accounts payable	8,817	46,570
Accrued interest	2,442	-
Accrued salaries and taxes	6,793	15,995
Due to other funds	65,497	43,081
Unearned revenues	192,141	-
Revenue note payable - current portion	<u>16,673</u>	<u>-</u>
Total Current Liabilities	<u>292,363</u>	<u>105,646</u>
Noncurrent Liabilities		
Revenue note payable - non-current portion	<u>42,513</u>	<u>-</u>
Total Noncurrent Liabilities	<u>42,513</u>	<u>-</u>
Total Liabilities	<u>334,876</u>	<u>105,646</u>
NET POSITION		
Net investment in capital assets	5,953,089	106,991
Unrestricted	<u>2,321,313</u>	<u>147,400</u>
TOTAL NET POSITION	<u>\$ 8,274,402</u>	<u>\$ 254,391</u>
Adjustments to reflect the consolidation of internal service funds activities related to enterprise funds.	<u>7,839</u>	<u>(7,839)</u>
Net Position Business-type Activities	<u>\$ 8,282,241</u>	
Net internal service funds reported in the statement of net position as governmental activities		<u>\$ 246,552</u>

See accompanying notes to financial statements.

CITY OF URBANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Motor Vehicle Parking	Service Fund
OPERATING REVENUES		
Parking meters	\$ 825,662	\$ -
Parking rentals	295,366	-
Charges for services	-	1,132,374
Total Operating Revenues	<u>1,121,028</u>	<u>1,132,374</u>
OPERATING EXPENSES		
Personnel	199,319	378,184
Supplies	25,042	14,195
Contractual services	208,219	79,929
Equipment parts	-	206,966
Fuel	-	341,789
Depreciation	285,985	16,938
Total Operating Expenses	<u>718,565</u>	<u>1,038,001</u>
Operating Income	<u>402,463</u>	<u>94,373</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	54,526	(183)
Interest expense	(6,073)	-
Total Nonoperating Revenues (Expenses)	<u>48,453</u>	<u>(183)</u>
Income Before Transfers	<u>450,916</u>	<u>94,190</u>
TRANSFERS		
Transfers out	(777,430)	-
Total Transfers	<u>(777,430)</u>	<u>-</u>
Change in Net Position	(326,514)	94,190
NET POSITION - Beginning of Year	<u>8,600,916</u>	<u>160,201</u>
NET POSITION- END OF YEAR	<u>\$ 8,274,402</u>	<u>\$ 254,391</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	<u>7,839</u>	
Change in Net Position of Business-type Activities	<u>\$ (318,675)</u>	

See accompanying notes to financial statements.

CITY OF URBANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Motor Vehicle Parking	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,113,771	\$ 1,132,374
Paid to suppliers for goods and services	(226,081)	(634,466)
Paid to employees for services	(197,200)	(372,001)
Net Cash Flows From Operating Activities	<u>690,490</u>	<u>125,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments sold and matured	(14,739)	-
Investment income	54,526	(183)
Net Cash Flows From Investing Activities	<u>39,787</u>	<u>(183)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers	(777,430)	-
Change in interfund balances	-	100
Net Cash Flows From Noncapital Financing Activities	<u>(777,430)</u>	<u>100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal repayments on note	(15,297)	-
Interest repayments on note	(6,703)	-
Acquisition and construction of capital assets	(497,245)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(519,245)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(566,398)	125,824
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>627,678</u>	<u>8,155</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 61,280</u>	<u>\$ 133,979</u>

See accompanying notes to financial statements.

CITY OF URBANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	<u>Motor Vehicle Parking</u>	<u>Governmental Activities - Internal Service Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 402,463	\$ 94,373
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Depreciation	285,985	16,938
Changes in assets and liabilities		
Accounts receivable	(26,342)	-
Inventory	(2,599)	-
Prepaid items	962	-
Accounts payable	8,817	8,413
Accrued salaries	2,119	6,183
Unearned revenue	<u>19,085</u>	<u>-</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 690,490</u>	<u>\$ 125,907</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
None		

See accompanying notes to financial statements.

CITY OF URBANA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2014

	<u>Pension Trusts</u>
ASSETS	
Cash	\$ 2,412,110
Investments	
Certificates of deposit	2,952,654
Money market funds	7,205,146
U.S. Government securities	12,602,112
Mutual funds	38,657,495
Domestic common stocks	5,225,350
Corporate bonds	3,733,578
Municipal bonds	707,292
Receivables	
Accrued interest	106,990
Due from primary government	<u>1,011,086</u>
Total Assets	<u>74,613,813</u>
LIABILITIES	
Accounts payable	<u>12,617</u>
Total Liabilities	<u>12,617</u>
NET POSITION	
Restricted for pensions	<u>\$ 74,601,196</u>

See accompanying notes to financial statements.

CITY OF URBANA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014

	<u>Pension Trusts</u>
ADDITIONS	
Contributions	
Employer contributions	\$ 3,771,832
Employee contributions	<u>744,429</u>
Total Contributions	<u>4,516,261</u>
Investment income	
Investment income	1,990,368
Net appreciation in fair value of investments	7,063,970
Investment expense	<u>(181,288)</u>
Total Investment Income	<u>8,873,050</u>
Total Additions	<u>13,389,311</u>
DEDUCTIONS	
Benefits	3,962,698
Transfers and refunds of service credits	9,518
Administrative costs	<u>51,621</u>
Total Deductions	<u>4,023,837</u>
 Change in Net Position	 9,365,474
NET POSITION - Beginning of Year (as restated)	<u>65,235,722</u>
 NET POSITION - END OF YEAR	 <u>\$ 74,601,196</u>

See accompanying notes to financial statements.

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CITY OF URBANA

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As of and for the Year Ended June 30, 2014

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CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Urbana, Illinois (the City) was incorporated in 1855. The City is a home-rule municipality, under the 1970 Illinois Constitution, located in Champaign County, Illinois. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, public improvements, planning and zoning, urban housing and redevelopment, and general administrative services. In addition, the City provides public parking services as an enterprise activity and participates in a joint venture association that oversees landfill post-closure operations.

The accounting policies of the City of Urbana, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)***Component Units***

The Police Pension Employees Retirement System (PPERS) is established for the City's police employees. PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor, one pension beneficiary elected by the membership, and two police employees elected by the membership constitute the pension board. The City and the PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's police employees and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund and the data for the component unit is included in the government's fiduciary fund financial statements. Complete financial statements for the PPERS may be obtained from the City's finance department.

The Firefighters' Pension Employees Retirement System (FPERS) is established for the City's firefighters. FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members are appointed by the City's Mayor, one pension beneficiary is elected by the membership, and two fire employees are elected by the membership. The City and the FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, FPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's firefighters because of the fiduciary nature of such activities. FPERS is reported as a pension trust fund and the data for the component unit is included in the government's fiduciary fund financial statements. Complete financial statements for the FPERS may be obtained from the City's finance department.

Discretely Presented Component Unit***Urbana Free Library***

The government-wide financial statements include the Urbana Free Library (the Library) as a component unit. The the Library is a legally separate organization. The board of the the Library is appointed by the Mayor and confirmed by the City Council. The economic resources received and held by the Library are entirely for the direct benefit of the residents of the City of Urbana. See Note III.I. As a component unit, the the Library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2014. Separately issued financial statements of the Urbana Free Library may be obtained from the the Library's office.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective July 1, 2013.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. 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. The City does not allocate indirect expenses to functions in the statement of activities. 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 included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***Fund Financial Statements (cont.)***

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

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.

The City reports the following major governmental funds:

- General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Post TIF #3 Escrow - accounts for the funds remaining after the closure of the Tax Increment Financing District 3 Fund and the distribution of the excess funds to municipalities within the TIF area.

The City reports the following major enterprise fund:

- Motor Vehicle Parking Enterprise Fund - accounts for operations of the City's parking lots and garages.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The City reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Social Services	Vehicle and Equipment Replacement
Special Community Development	HOME Community Development
Community Development Block Grant	Tax Increment Financing District 1
Tax Increment Financing District 2	Tax Increment Financing District 3
Tax Increment Financing District 4	Economic Development
Insurance Financing	Recycling
Public Television	Police Records
Emergency Solutions	

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Improvement and Replacement	Broadband Construction
Sanitary Sewer Construction	Motor Fuel Tax
Boneyard Improvement	

In addition, the City reports the following fund types:

Internal Service Fund - used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Equipment Services

Pension Trust Funds - used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans.

Firefighters' Pension
Police Pension

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

The proprietary funds distinguish operating revenues and expenses from nonoperating 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 Motor Vehicle Parking System are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary 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 nonoperating revenues and expenses.

All Financial Statements

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Illinois Statutes authorize the City to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and the Illinois insurance company general and separate accounts, mutual funds meeting certain requirements, equity securities, and corporate bonds meeting certain requirements. Pension funds with net assets in excess of \$10,000,000 and an appointed investment advisor may invest an additional portion of its assets in common and preferred stocks and mutual funds, that meet certain requirements. The police pension fund's investment policy allows investments in all of the above listed accounts, but does exclude any repurchase agreements. The firefighters' pension fund allows funds to be invested in any type of security authorized by the Illinois Pension Code.

The City has adopted an investment policy. That policy follows the state statute for allowable investments.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***1. Deposits and Investments (cont.)*****Interest Rate Risk**

The City's and pensions' investment policies seek to minimize exposure to declines in fair values as follows:

City - The portfolio is structured such that securities mature to meet cash requirements, thereby avoiding the need to sell securities prior to maturity.

Firefighters' Pension Fund and Police Pension Fund - The investment policies establish a goal that the fixed income portion be structured such that maturity dates are staggered so as to avoid an undue concentration of assets in a given time period. The policy also requires diversification of the portfolio so that the impact of a potential drop in interest rates in a particular type of security will be minimized, setting desired minimum and maximum levels for each category of investment.

Credit Risk

The City investment policy only allows investments to be in obligations of the U.S. Treasury and its agencies, non-negotiable certificates of deposit, obligations of the State of Illinois and its political subdivisions, savings accounts, money market mutual funds regulated by the SEC whose portfolios consist only of dollar-denominated securities, bankers acceptances, and local government investment pools (such as Illinois Funds and the Illinois Metropolitan Investment Trust Fund). The Police and Firefighters' Pension Funds are also authorized to invest in general and separate accounts of approved life insurance companies (up to a maximum of 10% of the fund's net position), corporate bonds, mutual funds, domestic corporate common stock (up to a maximum of 55% of the fund's net position or 45% if the fund is invested in 10% of general and separate accounts of approved life insurance companies), and money market mutual funds which are backed by U.S. government securities and agencies.

Concentration of Credit Risk

The City's and Pensions' investment policies require diversification of the investment portfolio to minimize risk of loss resulting from over-concentration in a particular type of security, risk factor, issuer, or maturity. The City operates its investments as an internal investment pool where each fund reports its pro rata share of the investments made by the City.

Custodial Credit Risk - Deposits

The City's and Pensions' investment policies limit the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution equal to at least 100% of the value of the deposit.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***1. Deposits and Investments (cont.)*****Custodial Credit Risk - Investments**

The City's and Pensions' investment policies require all securities to be insured, registered, or held by the City's or Pensions' agent in the City's or Pensions' name.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, the price for which the investments could be sold.

Illinois Metropolitan Investment Fund (IMET) is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold.

See Note III. A. for further information.

2. Receivables

Property taxes for levy year 2013 attaches as an enforceable lien on January 1, 2013, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2014 tax levy, which attached as an enforceable lien on the property as of January 1, 2014, has not been recorded as a receivable as of June 30, 2014, as the tax has not yet been levied by the City and will not be levied until December 2014, and therefore, the levy is not measurable at June 30, 2014.

Tax bills for levy year 2013 are prepared by the Champaign County Clerk and issued on or about May 1, 2014 and August 1, 2014, and are payable in two installments, on or about June 1, 2014 and September 1, 2014 or within 30 days of the tax bills being issued.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***2. Receivables (cont.)***

The county collects such taxes and remits them periodically. The 2013 property tax levy is recognized as a receivable and deferred inflows of resources in fiscal 2014, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At June 30, 2014, the property taxes receivable and deferred inflows of resources consisted of the estimated amount collectible from the 2013 levy.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on FIFO, and charged to construction and/or operation and maintenance expense when used.

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.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets***Government-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 2 years. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	75 Years
Building Improvements	20-30 Years
Vehicles	7-10 Years
Office Equipment	10 Years
Other Equipment	5 Years
Infrastructure	15-50 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Compensated Absences

City employees are granted vacation pay and sick leave in various amounts. Sick leave and vacation benefits may be accumulated; however, upon death or retirement, employees are eligible to receive only a portion of accumulated time. Such amounts are accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In prior years, the General Fund has been used to liquidate the accumulated absences for governmental funds. There were no accumulated amounts for the proprietary funds at June 30, 2014.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2014, are determined on the basis of current salary rates and include salary related payments.

7. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable, accrued compensated absences, net other post-employment benefit obligation, and landfill post-closure monitoring liabilities.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Long-Term Obligations/Conduit Debt (cont.)

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt is reported as an other financing source and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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.

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the Finance Director to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance are available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain a minimum unassigned fund balance in the General Fund of \$3 million. The balance at year end was \$8,894,462.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER BUDGET

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Social Services	\$ 195,000	\$ 195,556	\$ 556
Tax Increment Financing District 1	991,360	1,302,220	310,860

The City controls expenditures at the department level. Some individual departments experienced expenditures which exceeded budget. The detail of those items can be found in the City's year-end budget to actual report.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of June 30, 2014, the following individual funds held a deficit balance:

Fund	Amount
HOME Community Development	\$ (361,184)
Community Development Block Grant	(25,289)
Emergency Solutions	(1,405)

Fund deficits are anticipated to be funded with future grant revenue, general tax revenues, or transfers from other funds.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments. The deposits and investments of the pension trust funds are held separately from those of other funds.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****A. DEPOSITS AND INVESTMENTS (cont.)**

The City's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 12,774,155	\$ 13,041,013	Custodial credit risk - deposits
Non-negotiable certificates of deposit	16,518,252	16,518,252	Custodial credit risk - deposits
Money market mutual funds - bond funds	7,205,146	7,205,146	Credit risk, interest rate risk
Money market mutual funds - other	268,907	268,907	N/A
Mutual funds - other than bonds	38,657,495	38,657,495	N/A
Illinois Funds	1,450,076	1,450,076	Credit risk
IMET (Convenience Fund)	803	803	Credit risk
IMET (1-3 Year Fund)	260,969	260,969	Credit risk, interest rate risk
U.S. Treasury obligations	14,838,226	14,838,226	Interest rate risk, custodial credit risk - investments
U.S. Agency obligations (implicitly guaranteed)	8,620,208	8,620,208	Credit risk, interest rate risk, concentration of credit risk, custodial credit risk - investments
U.S. Agency obligations (explicitly guaranteed)	2,997,631	2,997,631	Interest rate risk, custodial credit risk - investments
Municipal bonds	2,937,928	2,937,928	Credit risk, interest rate risk, concentration of credit risk, custodial credit risk - investments
Corporate bonds	3,733,578	3,733,578	Credit risk, interest rate risk, concentration of credit risk, custodial credit risk - investments
Corporate stock	5,225,350	5,225,350	Concentration of credit risk, custodial credit risk - investments
Cash on hand	3,131	-	N/A
Total Deposits and Investments	<u>\$115,491,855</u>	<u>\$115,755,582</u>	

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements

Per statement of net position	
Unrestricted cash and investments	\$ 41,996,118
Per statement of net position - fiduciary funds	
Cash	2,412,110
Certificates of deposit	2,952,654
Money market funds	7,205,146
U.S. Government securities	12,602,112
Mutual funds	38,657,495
Domestic common stocks	5,225,350
Corporate bonds	3,733,578
Municipal bonds	<u>707,292</u>
 Total Deposits and Investments	 <u>\$115,491,855</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

The City does not have any deposits exposed to custodial credit risk.

Investments

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 investments or collateral securities that are in the possession of an outside party.

The City does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

As of June 30, 2014, the City's investments were rated as follows:

Investment Type	Moody's Investors Services
Illinois Funds	Aaa
IMET (Convenience Fund)	Not Rated
IMET (1-3 Year Fund)	Aaa/MR1
U.S. Agency obligations (implicitly guaranteed)	Aaa
Municipal bonds	Not Rated

As of June 30, 2014, the Police Pension Fund's investments were rated as follows:

Investment Type	Moody's Investors Services
U.S. Agency obligations (implicitly guaranteed)	Aaa
Municipal bonds	A2 - Aaa
Corporate bonds	Baa2 - Aaa

As of June 30, 2014, the Firefighters' Pension Fund's investments were rated as follows:

Investment Type	Moody's Investors Services
U.S. Agency obligations (implicitly guaranteed)	Aaa
Municipal bonds	A1
Corporate bonds	Baa3 - A1
Money market mutual funds	Aaa-mf

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****A. DEPOSITS AND INVESTMENTS (cont.)****Concentration of Credit Risk (cont.)**

At June 30, 2014, the City's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Bank	U.S. Agency obligation (implicitly guaranteed)	25.64%
Federal Farm Credit Bank	U.S. Agency obligation (implicitly guaranteed)	6.39%
Champaign School District #116 Bonds	Municipal bonds	13.43%

As of June 30, 2014, the Police Pension Fund and Firefighters' Pension Fund had no investments subject to concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of June 30, 2014, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)			
		Less than 1	1 - 5	6 - 10	Greater than 10
IMET (1-3 Year Fund)	\$ 260,969	\$ -	\$ 260,969	\$ -	\$ -
U.S. Treasury obligations	5,375,688	-	4,711,623	-	664,065
U.S. Agency obligations	8,478,266	600,381	1,878,887	875,935	5,123,063
Municipal bonds	2,230,636	-	-	443,392	1,787,244
Totals	<u>\$ 16,345,559</u>	<u>\$ 600,381</u>	<u>\$ 6,851,479</u>	<u>\$ 1,319,327</u>	<u>\$ 7,574,372</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****A. DEPOSITS AND INVESTMENTS (cont.)****Interest Rate Risk (cont.)**Police Pension Fund

Investment Type	Fair Value	Maturity (In Years)			
		Less than 1	1 - 5	6 - 10	Greater than 10
U.S. Treasury obligations	\$ 6,030,589	\$ 1,323,313	\$ 3,139,680	\$ 1,213,185	\$ 354,411
U.S. Agency obligations	1,620,595	626,965	891,553	-	102,077
Municipal bonds	391,236	-	151,734	102,210	137,292
Corporate bonds	<u>3,077,879</u>	-	<u>1,036,851</u>	<u>1,587,982</u>	<u>453,046</u>
Totals	<u>\$ 11,120,299</u>	<u>\$ 1,950,278</u>	<u>\$ 5,219,818</u>	<u>\$ 2,903,377</u>	<u>\$ 1,046,826</u>

Firefighters' Pension Fund

Investment Type	Fair Value	Maturity (In Years)			
		Less than 1	1 - 5	6 - 10	Greater than 10
U.S. Treasury obligations	\$ 3,431,950	\$ 615,951	\$ 972,975	\$ 1,843,024	\$ -
U.S. Agency obligations	1,518,978	-	603,002	605,941	310,035
Municipal bonds	316,056	-	-	316,056	-
Corporate bonds	655,699	-	430,522	225,177	-
Money market mutual funds	<u>7,205,146</u>	<u>7,205,146</u>	-	-	-
Totals	<u>\$ 13,127,829</u>	<u>\$ 7,821,097</u>	<u>\$ 2,006,499</u>	<u>\$ 2,990,198</u>	<u>\$ 310,035</u>

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 2,968,179	\$ -
License fees	279,598	-
Grants	41,642	431,289
Stormwater fees	<u>119,622</u>	<u>-</u>
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u>\$ 3,409,041</u>	 <u>\$ 431,289</u>
 Unearned revenue included in liabilities	 \$ 440,862	
Unearned revenue included in deferred inflows	<u>2,968,179</u>	
 Total Unearned Revenue for Governmental Funds	 <u>\$ 3,409,041</u>	

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,554,436	\$ 1,267,081	\$ -	\$ 6,821,517
Construction in progress	-	9,508,188	-	9,508,188
Total Capital Assets Not Being Depreciated	<u>5,554,436</u>	<u>10,775,269</u>	<u>-</u>	<u>16,329,705</u>
Capital assets being depreciated				
Building and improvements	9,332,541	104,938	-	9,437,479
Infrastructure	100,658,355	1,487,771	-	102,146,126
Equipment	11,752,492	553,512	184,198	12,121,806
Total Capital Assets Being Depreciated	<u>121,743,388</u>	<u>2,146,221</u>	<u>184,198</u>	<u>123,705,411</u>
Total Capital Assets	<u>127,297,824</u>	<u>12,921,490</u>	<u>184,198</u>	<u>140,035,116</u>
Less: Accumulated depreciation for				
Building and improvements	\$ (3,558,699)	\$ (207,509)	\$ -	\$ (3,766,208)
Infrastructure	(34,153,673)	(3,203,530)	-	(37,357,203)
Equipment	(6,205,031)	(1,096,266)	184,198	(7,117,099)
Total Accumulated Depreciation	<u>(43,917,403)</u>	<u>(4,507,305)</u>	<u>184,198</u>	<u>(48,240,510)</u>
Net Capital Assets Being Depreciated	<u>77,825,985</u>	<u>(2,361,084)</u>	<u>-</u>	<u>75,464,901</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 83,380,421</u>	<u>\$ 8,414,185</u>	<u>\$ -</u>	<u>\$ 91,794,606</u>

Depreciation expense was charged to functions as follows:

Governmental Activities		
Public safety		\$ 552,508
Highways and streets		3,827,724
General government		89,835
Urban redevelopment and housing		<u>37,238</u>
Total Governmental Activities Depreciation Expense		<u>\$ 4,507,305</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****C. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciation				
Land	\$ 3,765,739	\$ -	\$ -	\$ 3,765,739
Total Capital Assets Not Being Depreciation	<u>3,765,739</u>	<u>-</u>	<u>-</u>	<u>3,765,739</u>
Capital assets being depreciated				
Buildings and improvements	7,719,723	32,949	-	7,752,672
Equipment	381,271	17,048	-	398,319
Total Capital Assets Being Depreciated	<u>8,100,994</u>	<u>49,997</u>	<u>-</u>	<u>8,150,991</u>
Total Capital Assets	<u>11,866,733</u>	<u>49,997</u>	<u>-</u>	<u>11,916,730</u>
Less: Accumulated depreciation for				
Buildings and improvements	(5,378,922)	(254,564)	-	(5,633,486)
Equipment	(239,548)	(31,421)	-	(270,969)
Total Accumulated Depreciation	<u>(5,618,470)</u>	<u>(285,985)</u>	<u>-</u>	<u>(5,904,455)</u>
Net Capital Assets Being Depreciated	<u>\$ 2,482,524</u>	<u>\$ (235,988)</u>	<u>\$ -</u>	<u>\$ 2,246,536</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,248,263</u>	<u>\$ (235,988)</u>	<u>\$ -</u>	<u>\$ 6,012,275</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)*****D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS******Interfund Receivables/Payables***

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Motor Vehicle Parking	\$ 61,170
General	Internal Service	42,819
General	Nonmajor Governmental	1,951,132
Internal Service	General	3,445
Internal Service	Motor Vehicle Parking	4,327
Internal Service	Nonmajor Governmental	7,947
Nonmajor Governmental	General	264,932
Nonmajor Governmental	Internal Service	261
Nonmajor Governmental	Nonmajor Governmental	<u>764,385</u>
Total - Fund Financial Statements		3,100,418
Less: Interfund receivables created with internal service fund eliminations		(7,839)
Less: Government-wide eliminations		<u>(3,034,921)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 57,658</u>

All amounts are due within one year.

The principal purpose of these interfunds is to temporarily support expenditures reported in multiple funds with resources from one fund. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)*****D. INTERFUND RECEIVABLES/PAYABLES (cont.)******Transfers***

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Motor Vehicle Parking	\$ 777,430
General	Nonmajor Governmental	1,417,023
Post-TIF #3 Escrow	Nonmajor Governmental	11,724,514
Nonmajor Governmental	General	2,236,840
Nonmajor Governmental	Nonmajor Governmental	<u>580,694</u>
Total - Fund Financial Statements		16,736,501
Less: Government-wide eliminations		<u>(15,959,071)</u>
Total Transfers - Government-Wide Statement of Activities		<u>\$ 777,430</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****E. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 3,800,000	\$ 4,000,000	\$ 815,000	\$ 6,985,000	\$ 830,000
Sub-totals	<u>3,800,000</u>	<u>4,000,000</u>	<u>815,000</u>	<u>6,985,000</u>	<u>830,000</u>
Other Liabilities					
Compensated absences	1,495,196	1,561,220	1,669,149	1,387,267	1,387,267
Landfill post-closure monitoring	143,250	-	28,650	114,600	28,650
Other postemployment benefits	320,974	217,107	108,300	429,781	-
Total Other Liabilities	<u>1,959,420</u>	<u>1,778,327</u>	<u>1,806,099</u>	<u>1,931,648</u>	<u>1,415,917</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,759,420</u>	<u>\$ 5,778,327</u>	<u>\$ 2,621,099</u>	<u>\$ 8,916,648</u>	<u>\$ 2,245,917</u>
Business-type Activities					
Bonds and Notes Payable					
Alternative revenue note	\$ 74,482	\$ -	\$ 15,296	\$ 59,186	\$ 16,673
Sub-totals	<u>74,482</u>	<u>-</u>	<u>15,296</u>	<u>59,186</u>	<u>16,673</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 74,482</u>	<u>\$ -</u>	<u>\$ 15,296</u>	<u>\$ 59,186</u>	<u>\$ 16,673</u>

Compensated absences, other postemployment benefits, and landfill post-closure monitoring are paid out of the General Fund.

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2014
Series 2012 General Obligation Bonds	December 20, 2012	January 1, 2022	1.43%	\$ 7,800,000	\$ 6,985,000
Total Governmental Activities - General Obligation Debt					<u>\$ 6,985,000</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****E. LONG-TERM OBLIGATIONS (cont.)****General Obligation Debt (cont.)**

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2015	\$ 830,000	\$ 99,885
2016	840,000	88,017
2017	855,000	76,004
2018	865,000	63,778
2019	880,000	51,409
2020-2022	<u>2,715,000</u>	<u>78,078</u>
Totals	<u>\$ 6,985,000</u>	<u>\$ 457,171</u>

Alternative Revenue Debt**Business-type Activities**

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2014
Motor Vehicle Parking Enterprise Fund					
Tepper Note	December 15, 2001	January 15, 2017	9.00%	\$ 177,335	<u>\$ 59,186</u>
Total Business-type Activities - Alternative Revenue Debt					<u>\$ 59,186</u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities Alternative Revenue Debt	
	Principal	Interest
2015	\$ 16,673	\$ 5,327
2016	18,174	3,826
2017	<u>24,339</u>	<u>2,191</u>
Totals	<u>\$ 59,186</u>	<u>\$ 11,344</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****F. CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The City completed final closure of the landfill in 1987. The \$114,600 reported as landfill postclosure care liability at June 30, 2014, represents the total amount needed by the City for post closure care costs according to state and federal regulations. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

G. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at June 30, 2014, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 6,821,517
Construction in progress	9,508,188
Other capital assets, net of accumulated depreciation	75,464,901
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(5,582,666)</u>
Total Net Investment in Capital Assets	<u>\$ 86,211,940</u>

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 3,765,739
Other capital assets, net of accumulated depreciation	2,246,536
Less: Long-term debt outstanding	<u>(59,186)</u>
Total Net Investment in Capital Assets	<u>\$ 5,953,089</u>

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. RESTATEMENT OF FUND BALANCES/NET POSITION

Fund balances/net position have been restated to correct various errors in the previously issued financial statements as follows:

As noted in the Note I, the City recognizes revenue in the entity-wide financial statements when revenue is earned. The City considers the first installment of the annual property tax levy that is adopted during the fiscal year to be utilized for current year operations and the second installment of the levy is to be utilized in the subsequent fiscal year. Therefore, the first installment of the levy (roughly 60% of the levy) is considered to be "earned" in the fiscal year it is adopted and the second installment is deferred for use in the subsequent fiscal year. In the prior year, the City recognized both the first and second installment of the 2012 levy and did not defer the second installment of the 2012 levy on the entity-wide financial statements. As a result, the beginning net position of governmental activities has been restated and properly reflected in accordance with the City's revenue recognition policy.

In the prior fiscal year, the City reported a receivable in the Police Pension Fund and the Firefighters' Pension Fund for the City's contribution of the pension portion of the second installment of the 2012 property tax levy. However, contributions were not due to the pension funds until such time as the taxes were collected by the City. As the City made no collections on the second installment of the 2012 levy until fiscal year 2014, no amount was due to the pension funds. As a result, beginning net position, property tax receivable, and contribution revenue of the Police Pension Fund and Firefighters' Pension Fund have been restated to reflect the appropriate accounting treatment of employer contributions to pensions. Additionally, the pension portion of the second installment of the 2012 levy should have been accrued as a receivable and deferred inflow of resources in the General Fund as the taxes are a revenue source of the City. Beginning fund balance, property tax receivable, and deferred inflows of resources of the General Fund were restated to properly present pension property tax accruals.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, was effective as of July 1, 2012 (applicable to fiscal year 2013). This standard changed the criteria for the definition of component units. This standard was not implemented in fiscal year 2013. Upon implementation of the standard in fiscal 2014, the Urbana Free Library is required to be presented as a discretely presented component unit of the City. In prior years, the Library was presented as a governmental fund and included in governmental activities on the entity-wide financial statements. To properly implement GASB Statement No. 61, beginning net position of governmental activities and the discretely presented component unit as presented in the entity-wide financial statements have been restated and the Library is no longer presented in the governmental fund financial statements.

In the prior fiscal year, the City reported liabilities in the General Fund and Tax Increment Financing District 3 Fund for property taxes held in "escrow". This liability related to ongoing litigation and potential future litigation for property tax appeals by hospitals located in the City. A liability must be both "measurable" and "probable" to be recorded. It was determined that the liabilities previously recorded were not considered "probable" in the current or prior year. Additionally, a portion of the prior year liability related to threats of litigation rather than any formal legal action. Lastly, property tax objections are not commonly accrued as liabilities as the outcomes are difficult to determine in advance. As a result, beginning fund balance/net position and property taxes held in escrow liabilities have been restated in the General Fund and Tax Increment Financing District 3 Fund in the governmental fund financial statements and governmental activities in the entity-wide financial statements.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****H. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)**

In the prior fiscal year, a portion of compensated absences recorded to governmental activities in the entity-wide financial statements related to contributions of unused sick time to employee retirement health savings accounts. Per the City's compensated absences policy, employees have the option to elect to contribute 20% of their annual allotment of sick time to a retirement health savings account. However, this contribution is only be made at the beginning of the fiscal year and applies to the allotment of current year sick time. For example, contributions made in July 2013 related to sick time provided to employees for use in fiscal year 2014. As the contributions were made for the current year sick time and not for sick time earned through past service, the City satisfied its obligation to employees for this election. As such, the City should not have recorded a liability on the entity-wide financial statements for this benefit. Beginning net position and compensated absences have been restated in governmental activities on the entity-wide financial statements to properly reflect the City's compensated absences policy.

General Fund

General Fund balance - June 30, 2013 (as reported)	\$ 5,062,608
Add: Correction of pension-related property tax accruals	500,364
Elimination of property tax escrow liability	<u>3,596,742</u>
Fund Balance - June 30, 2013 (as restated)	<u>\$ 9,159,714</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ 624,603</u>

Tax Increment Financing District 3 Fund

Tax Increment Financing District 3 Fund balance - June 30, 2013 (as reported)	\$ 883,397
Add: Elimination of property tax escrow liability	<u>11,371,070</u>
Fund Balance - June 30, 2013 (as restated)	<u>\$ 12,254,467</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ 451,777</u>

Urbana Free Library Fund

Urbana Free Library Fund balance - June 30, 2013 (as reported)	\$ 2,126,708
Less: Application of GASB Statement No. 61	<u>(2,126,708)</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ (18,532)</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****H. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)****Pension Trust Funds**

Pension Trust Funds Net Position - June 30, 2013 (as reported)	\$ 67,148,449
Less: Correction of pension-related property tax accruals	<u>(1,912,727)</u>
Net Position - June 30, 2013 (as restated)	<u>\$ 65,235,722</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ (414,764)</u>

Governmental Activities

Governmental Activities Net Position - June 30, 2013 (as reported)	\$ 127,058,728
Add: Correction of pension-related property tax accruals	500,364
Elimination of property tax escrow liability	14,967,812
Correction of compensated absences	438,357
Less: Correction of property tax revenue recognition	(2,766,195)
Application of GASB Statement No. 61	<u>(11,122,835)</u>
Net Position - June 30, 2013 (as restated)	<u>\$ 129,076,231</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ 1,323,177</u>

Discretely Presented Component Unit

Discretely Presented Component Unit Net Position - June 30, 2013 (as reported)	\$ -
Add: Application of GASB Statement No. 61	12,336,116
Less: Correction of property tax revenue recognition	<u>(1,184,190)</u>
Net Position - June 30, 2013 (as restated)	<u>\$ 11,151,926</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ 5,792</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****I. COMPONENT UNIT****URBANA FREE LIBRARY**

This report contains the Urbana Free Library (the Library), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The the Library follows the full accrual basis of accounting and the flow of financial resources measurement focus.

b. Deposits and Investments

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits - Library	\$ 726,162	\$ 741,176	Custodial credit risk - deposits
Deposits - Foundation	82,941	82,941	Custodial credit risk - deposits
Illinois Funds	17,286	17,287	Credit risk
Petty cash	<u>516</u>	<u>-</u>	N/A
Total Deposits and Investments	<u>\$ 826,905</u>	<u>\$ 841,404</u>	

Custodial Credit Risk**Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the the Library's deposits may not be returned to the the Library.

The the Library does not have any deposits exposed to custodial credit risk.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****I. COMPONENT UNIT (cont.)****URBANA FREE LIBRARY (cont.)**

b. Deposits and Investments (cont.)

Custodial Credit Risk (cont.)**Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The the Library does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2014, the the Library's investments were rated as follows:

Investment Type	Standard & Poors				
Illinois Funds	AAAm				
c. Capital Assets					
	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Land	\$ 480,732	\$ -	\$ -	\$ 480,732	N/A
Buildings and improvements	10,151,844	382,171	-	10,534,015	75
Equipment	561,073	91,032	-	652,105	5 - 25
Less: Accumulated depreciation	(1,980,052)	(211,151)	-	(2,191,203)	
Totals	\$ 9,213,597	\$ 262,052	\$ -	\$ 9,475,649	

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)****I. COMPONENT UNIT (cont.)****URBANA FREE LIBRARY (cont.)**

d. Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Mortgage payable	\$ -	\$ 135,000	\$ 60,000	\$ 75,000	\$ -
Compensated absences	201,909	67,422	99,221	170,110	170,110
Other postemployment benefits obligation	15,561	4,477	3,127	16,911	-
Totals	<u>\$ 217,470</u>	<u>\$ 206,899</u>	<u>\$ 162,348</u>	<u>\$ 262,021</u>	<u>\$ 170,110</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
2015	\$ -	\$ 3,750	\$ 3,750
2016	-	3,750	3,750
2017	-	3,750	3,750
2018	75,000	3,750	78,750
Totals	<u>\$ 75,000</u>	<u>\$ 15,000</u>	<u>\$ 90,000</u>

NOTE IV - OTHER INFORMATION**A. EMPLOYEES' RETIREMENT SYSTEM****Plan Descriptions**

The City contributes to three defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and the Firefighters' Pension Plan which is a single-employer pension plan. The benefits, benefits levels, employee contributions and employer contributions for the plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The Police Pension Plan and the Firefighters' Pension Plan issue separate reports on the pension plans. IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**Illinois Municipal Retirement Fund**

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Public Act 96-0889 created a second tier for IMRF's Regular Plan. Effective January 1, 2011, IMRF assigns a benefit tier to a member when he or she is enrolled in IMRF. The tier is determined by the member's first IMRF participation date. If the member first participated in IMRF before January 1, 2011, they participate in *Regular Tier 1*. If the member first participated in IMRF on or after January 1, 2011, they participate in *Regular Tier 2*.

For *Regular Tier 1*, pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate (average of the highest 48 consecutive months earnings during the last 10 years) of earnings for each year of credited service up to 15 years and 2% for each year thereafter. For *Regular Tier 2*, pension benefits vest after ten years of service. Participating members who retire at or after age 67 with 10 years of service, or age 62 with 35 years of service are entitled to an annual retirement benefit as described above. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The City's contribution rate for 2014 was 13.51% of annual covered payroll. For 2014, the City's annual required contribution rate was 13.51%.

Police Pension

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At June 30, 2014, the Police Pension membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	50
Current employees:	
Vested	33
Non vested	24
	<hr/>
Total	<u>107</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Police Pension (cont.)

As provided for in the Illinois Compiled Statutes, the Police Pension Fund provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Police Pension Fund as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one half of the salary attached to the rank on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5% of the final average salary for each year of creditable service. The salary is initially capped at \$106,800 but increases annually thereafter and is limited to 75% of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a police officer shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase in the CPI, whichever is less.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plans as actuarially determined by an enrolled actuary. Effective January 1, 2011 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded by the year 2040. For the year ended June 30, 2014, the City's contribution was 54.65% of covered payroll. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrual liability for benefits.

Firefighters' Pension

Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**Firefighters' Pension (cont.)**

At June 30, 2014, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	53
Current employees:	
Vested	34
Non vested	<u>21</u>
 Total	 <u><u>108</u></u>

As provided for in the Illinois Compiled Statutes, the Firefighters' Pension Fund provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Firefighters' Pension Fund as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5% of the final average salary for each year of creditable service. The salary is initially capped at \$106,800 but increases annually thereafter and is limited to 75% of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a firefighter shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase in the CPI, whichever is less.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**Firefighters' Pension (cont.)**

Participants contribute a fixed percentage of their base salary to the plans. At June 30, 2014, the contribution percentage was 9.455%. If a participant leaves covered employment with less than 20 years of service, accumulated participant contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plans as actuarially determined by an enrolled actuary. Effective January 1, 2011 the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded by the year 2040. For the year ended June 30, 2014, the City's contribution was 40.17% of covered payroll. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrual liability for benefits.

Summary of Significant Accounting Policies***Police and Firefighters' Pension Plans***

Basis of Accounting. The financial statements of the pension fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximated fair value. Investments that do not have an established market are reported at estimated fair values.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE IV - OTHER INFORMATION (cont.)****A. EMPLOYEES' RETIREMENT SYSTEM (cont.)****Annual Pension Cost**

The City's annual required contribution for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2013	June 30, 2014	June 30, 2014
Contribution rates:			
Employer	13.51%	54.65%	40.17%
Employee	4.50%	9.91%	9.46%
Annual required contribution	\$1,336,723	\$1,642,577	\$1,179,662
Contributions made	\$1,336,723	\$2,254,203	\$1,517,629
Actuarial cost method	Entry-age normal 5 year smoothed market	Entry-age normal	Entry-age normal
Asset valuation method	Level percentage of payroll	Market Level percentage of payroll, closed	Market Level percentage of payroll, closed
Amortization method	30 years	19 years	19 years
Amortization period			
Actuarial assumptions:			
Investment rate of return	7.50%	7.00%	7.00%
	Compounded annually	Compounded annually	Compounded annually
Projected salary increases	0.4% to 10%	5.25%	5.25%
Inflation rate included	4.00%	3.00%	3.00%
		Tier 1 - 3.00%; Tier 2 - 2.00%	Tier 1 - 3.00%; Tier 2 - 2.00%
Cost-of-living adjustments	3.00%		

Net Pension Obligation (Asset)

The following is the net pension obligation (asset) calculations as of June 30, 2014:

Net Pension Obligation (Asset):	Police Pension	Firefighters' Pension
Annual required contribution	\$ 1,642,577	\$ 1,179,662
Interest on net pension obligation	(446,611)	(185,815)
Adjustment to annual required contribution	<u>377,605</u>	<u>157,105</u>
Annual pension cost	1,573,571	1,150,952
Contributions made	<u>(2,254,203)</u>	<u>(1,517,629)</u>
Change in net pension obligation	(680,632)	(366,677)
Net pension obligation (asset), beginning of year	<u>(5,715,924)</u>	<u>(2,386,316)</u>
Net pension obligation (asset), end of year	<u>\$ (6,396,556)</u>	<u>\$ (2,752,993)</u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE IV - OTHER INFORMATION** (cont.)**A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)**Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

	Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2014	\$ 1,336,723	\$ 1,573,571	\$ 1,150,952
	2013	1,283,612	1,443,518	1,150,225
	2012	1,155,109	1,418,869	1,188,452
Contributions made	2014	\$ 1,336,723	\$ 2,254,203	\$ 1,517,629
	2013	1,247,632	1,980,275	1,403,306
	2012	1,087,929	1,981,806	1,483,810
Percentage of APC contributed	2014	100%	143.3%	131.9%
	2013	97%	137.2%	122.0%
	2012	94%	139.7%	124.9%
Net pension obligation	2014	\$ 103,160	\$ (6,396,556)	\$ (2,752,993)
	2013	103,160	(5,715,924)	(2,386,316)
	2012	67,180	(5,179,167)	(1,837,877)

The IMRF net pension obligation is considered to be immaterial and is not reported on the entity-wide financial statements.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Funded Status and Funding Progress

The City's actuarial value of plan assets for the current year and related information is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
	December 31, 2013	June 30, 2014	June 30, 2014
Actuarial Valuation Date			
Actuarial Valuation of Assets (a)	\$ 21,548,985	\$ 33,860,394	\$ 40,740,802
Actuarial Accrued Liability (AAL) - Entry Age (b)	\$ 28,837,834	\$ 47,238,793	\$ 43,931,004
Unfunded AAL (UAAL) (b - a)	\$ 7,288,849	\$ 13,378,399	\$ 3,190,202
Funded Ratio (a/b)	75 %	72 %	93 %
Covered Payroll (c)	9,894,321	4,124,681	3,777,788
UAAL as a Percentage of Covered Payroll ((b-a)/c)	74 %	324 %	84 %

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City purchases commercial insurance to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission; and health care of its employees. However, other risks, such as workers compensation and general liability are accounted for and financed by the City in the General Fund.

Self Insurance

For workers compensation claims, the uninsured risk of loss is \$600,000 per incident for EMTs, firefighters, and police officers and \$500,000 per incident for all other employees. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

All funds of the City participate in the risk management program. Charges for premiums and claims are paid from the General Fund.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The City does not allocate overhead costs or other nonincremental costs to the claims liability.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance (cont.)

Claims Liability

	Prior Year	Current Year
Unpaid claims - Beginning of Year	\$ 290,679	\$ 334,632
Current year claims and changes in estimates	151,643	118,714
Claim payments	(107,690)	(259,905)
Unpaid Claims - End of Year	\$ 334,632	\$ 193,441

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has active construction projects as of June 30, 2014. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

D. JOINT VENTURES

Champaign-Urbana Waste Disposal System

The City of Urbana and the City of Champaign have entered into a joint venture, which is called the Champaign-Urbana Waste Disposal System (system) and oversees the post-closure operations of a local sanitary landfill.

The governing body is made up of the Mayor of Urbana and the City Manager of Champaign, each with equal voting rights in respect to the system's operations. The annual budget is approved by both City Councils. The City made no payment to the system in fiscal year 2014. The City believes that the system's future revenues will approximate future expenses.

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE IV - OTHER INFORMATION** (cont.)**D. JOINT VENTURES** (cont.)***Champaign-Urbana Waste Disposal System*** (cont.)

The City accounts for its share of the operation in the General Fund. The City has an equity interest in the organization equal to its percentage share of participation of the population of the cities on the date the joint venture was established. The City of Urbana owns 38.2% of the net worth of the joint venture. The equity interest relative to financial assets is reported in the governmental activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

E. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Insurance Plan"). The City's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Contribution requirements are established through the City's personnel manual and collective bargaining agreements. Retired employees who have worked at least 10 consecutive years with the City are eligible to remain on the City's health insurance plan. These retirees are required to pay 100% of premiums. Benefit levels are the same as those provided to active employees.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation to the Retiree Health Insurance Plan:

Annual required contribution	\$ 215,185
Interest on net OPEB obligation	11,536
Adjustment to annual required contribution	<u>(9,614)</u>
Annual OPEB cost	217,107
Contributions made	<u>(108,300)</u>
Increase in net OPEB obligation	108,807
Net OPEB Obligation - Beginning of Year	<u>320,974</u>
Net OPEB Obligation - End of Year	<u><u>\$ 429,781</u></u>

CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2014**NOTE IV - OTHER INFORMATION** (cont.)**E. OTHER POSTEMPLOYMENT BENEFITS** (cont.)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 123,996	42%	\$ 288,410
June 30, 2013	159,552	70%	320,974
June 30, 2014	217,107	50%	429,781

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 2,945,778
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,945,778</u>
Funded ratio (actuarial value of plan assets/AAL)	-%
Covered payroll (active plan members)	\$ 16,928,776
UAAL as a percentage of covered payroll	17%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 6% after 4 years. Both rates include a 3% inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2014, was 30 years.

F. SUBSEQUENT EVENT

On July 1, 2014 the City issued general obligation bonds in the amount of \$2,800,000 with annual principal payments ranging from \$265,000 to \$300,000, beginning January 1, 2015 and ending on January 1, 2024, and an interest rate of 0.4% to 2.5%. This amount will be used for the reconstruction and installation of Windsor Road from Philo Road west to Race Street.

G. TAX INCREMENT FINANCING DISTRICT

The City of Urbana has established several Tax Increment Redevelopment Project Areas (RPA's) to encourage redevelopment of certain sites for more market oriented commercial uses of the properties that will enhance their value and improve their contributions to the City and its surrounding areas. As part of the redevelopment plans, the City has made significant improvements to utilities, public parking, intersections, and traffic signalization, streets and landscaping. The redevelopment plans also include site preparation, land acquisition and assembly, and demolition/clearance.

Construction and development in the RPA's were the responsibility of developers and are substantially complete. To entice development of the areas, the City created tax increment financing (TIF) districts to finance public improvements made within the RPA's.

Several funds have been established to record the revenues generated in the RPA's that relate directly to servicing the debt issued to make public improvements in the RPA's.

CITY OF URBANA**NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended June 30, 2014

NOTE IV - OTHER INFORMATION (cont.)

H. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- *Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- *Statement No. 69, Government Combinations and Disposals of Government Operations*
- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*

When they become effective, application of these standards may restate portions of these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF URBANA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property taxes	\$ 3,790,488	\$ 3,790,488	\$ 4,259,811
Local sales and use taxes	3,974,756	3,974,756	4,370,312
Utility taxes	3,250,885	3,250,885	3,203,075
Telecommunication taxes	1,121,110	1,121,110	957,692
Hotel/motel taxes	962,836	962,836	1,028,547
State income tax	4,160,148	4,160,148	3,950,540
Personal property replacement tax	-	-	272,666
State sales and use taxes	5,676,316	5,676,316	5,809,679
Other intergovernmental	2,003,600	2,003,600	1,917,490
Licenses, fines, and service charges	2,569,425	2,569,425	2,974,148
Investment income	88,590	88,590	7,315
Total Revenues	<u>27,598,154</u>	<u>27,598,154</u>	<u>28,751,275</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Executive			
Personnel services	1,187,547	1,187,547	1,176,694
Materials and supplies	8,510	8,510	4,475
Other services and charges	1,240,192	1,240,192	1,438,716
Total executive	<u>2,436,249</u>	<u>2,436,249</u>	<u>2,619,885</u>
Finance			
Personnel services	1,250,897	1,435,197	1,269,332
Materials and supplies	47,580	50,580	39,009
Other services and charges	205,040	224,450	312,425
Total finance	<u>1,503,517</u>	<u>1,710,227</u>	<u>1,620,766</u>
City Clerk			
Personnel services	203,981	203,981	189,471
Materials and supplies	2,880	2,880	1,674
Other services and charges	29,500	29,500	23,056
Total city clerk	<u>236,361</u>	<u>236,361</u>	<u>214,201</u>
Legislative			
Personnel services	46,720	46,720	46,226
Materials and supplies	750	750	38
Other services and charges	6,500	6,500	6,476
Total legislative	<u>53,970</u>	<u>53,970</u>	<u>52,740</u>
Total General government	<u>4,230,097</u>	<u>4,436,807</u>	<u>4,507,592</u>
PUBLIC SAFETY			
Police			
Personnel services	8,116,527	7,932,227	7,828,374
Materials and services	54,570	53,340	45,368
Other services and charges	1,181,490	1,162,080	1,023,485
Total police	<u>9,352,587</u>	<u>9,147,647</u>	<u>8,897,227</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF URBANA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
Fire			
Personnel services	\$ 6,714,539	\$ 6,714,539	\$ 6,672,207
Materials and supplies	70,590	73,590	70,463
Other services and charges	686,670	686,670	623,069
Total fire	<u>7,471,799</u>	<u>7,474,799</u>	<u>7,365,739</u>
Total Public Safety	<u>16,824,386</u>	<u>16,622,446</u>	<u>16,262,966</u>
HIGHWAYS AND STREETS			
Personnel services	4,750,246	4,750,246	4,653,171
Materials and supplies	533,310	533,310	430,541
Other services and charges	1,510,900	1,510,900	1,293,260
Contractual services	12,610	12,610	-
Total Highways and Streets	<u>6,807,066</u>	<u>6,807,066</u>	<u>6,376,972</u>
URBAN REDEVELOPMENT AND HOUSING			
Personnel services	1,333,093	1,333,093	1,227,667
Materials and supplies	17,420	17,420	9,117
Other services and charges	456,020	456,020	373,324
Contractual services	1,430	1,430	-
Total Urban redevelopment and housing	<u>1,807,963</u>	<u>1,807,963</u>	<u>1,610,108</u>
Total Expenditures	<u>29,669,512</u>	<u>29,674,282</u>	<u>28,757,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,071,358)</u>	<u>(2,076,128)</u>	<u>(6,363)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,285,044	2,285,044	2,194,453
Transfers out	<u>(2,172,860)</u>	<u>(2,232,860)</u>	<u>(2,236,840)</u>
Total Other Financing Sources (Uses)	<u>112,184</u>	<u>52,184</u>	<u>(42,387)</u>
Net Change in Fund Balance	<u>\$ (1,959,174)</u>	<u>\$ (2,023,944)</u>	<u>(48,750)</u>
FUND BALANCE - Beginning of Year (as restated)			<u>9,159,714</u>
FUND BALANCE - END OF YEAR			<u>\$ 9,110,964</u>

See independent auditors' report and accompanying notes to required supplementary information.

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CITY OF URBANA

ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/13	\$ 1,336,723	100.00%	\$ 103,160
12/31/12	1,283,612	97.00%	103,160
12/31/11	1,155,109	94.00%	67,180

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)- Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/13	\$ 21,548,985	\$ 28,837,834	\$ 7,288,849	74.72%	\$ 9,894,321	73.67%
12/31/12	20,887,296	29,418,581	8,531,285	71.00%	9,724,333	87.73%
12/31/11	19,813,732	28,452,132	8,638,400	69.64%	9,330,443	92.58%
12/31/10	19,341,476	27,590,759	8,249,283	70.10%	9,300,257	88.70%
12/31/09	21,488,352	28,443,258	6,954,906	75.55%	9,248,972	75.20%
12/31/08	20,977,955	26,712,943	5,734,988	78.53%	8,663,787	66.19%

The IMRF net pension obligation was immaterial and, as such, was not recorded on the entity-wide financial statements.

The information presented in this schedule includes the Urbana Free Library.

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	12/31/2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	0.4% to 10%
Inflation factor	4.00%
Cost of living adjustments	3.00%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF URBANA

POLICE PENSION FUND
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2014	\$ 1,642,577	137.24%	\$ (6,396,556)
6/30/2013	1,524,579	129.89%	(5,715,924)
6/30/2012	1,500,579	132.07%	(5,179,167)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2014	\$ 33,860,394	\$47,238,793	\$13,378,399	71.68%	\$ 4,124,681	324.35%
6/30/2013	30,673,996	45,058,874	14,384,878	68.08%	3,972,920	362.07%
6/30/2012	28,137,102	43,831,125	15,694,023	64.19%	3,859,220	406.66%
6/30/2011	26,605,378	40,648,279	14,042,901	65.45%	3,547,806	395.82%
6/30/2010	23,552,779	38,163,939	14,611,160	61.71%	3,485,147	419.24%
6/30/2009	22,465,851	35,361,320	12,895,469	63.53%	3,516,159	366.75%

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	6/30/2014
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	19 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	5.25%
Inflation factor	3.00%
Cost of living adjustments	Tier 1 - 3.00%; Tier 2 - 2.00%

CITY OF URBANA

FIREFIGHTERS' PENSION FUND
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2014	\$ 1,179,662	128.65%	\$ (2,752,993)
6/30/2013	1,182,977	118.62%	(2,386,316)
6/30/2012	1,220,290	121.59%	(2,133,235)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2014	\$ 40,740,802	\$ 43,931,004	\$ 3,190,202	92.74%	\$ 3,777,788	84.45%
6/30/2013	36,471,176	42,335,397	5,864,221	86.15%	3,872,621	151.43%
6/30/2012	33,307,152	41,404,121	8,096,969	80.44%	3,645,435	222.11%
6/30/2011	32,403,565	39,235,028	6,831,463	82.59%	3,414,250	200.09%
6/30/2010	28,653,226	36,690,005	8,036,779	78.10%	3,319,469	242.11%
6/30/2009	27,875,775	35,217,262	7,341,487	79.15%	3,249,911	225.90%

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	6/30/2014
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	19 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	5.25%
Inflation factor	3.00%
Cost of living adjustments	Tier 1 - 3.00%; Tier 2 - 2.00%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF URBANA

OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 June 30, 2014

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/14	\$ 215,185	51%
6/30/13	157,630	71%
6/30/12	125,767	46%
6/30/11	124,072	41%
6/30/10	121,606	41%
6/30/09	121,606	41%

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/13	\$ -	\$ 2,945,778	\$ 2,945,778	0%	\$ 16,928,776	17%
6/30/11	-	2,226,311	2,226,311	0%	16,652,019	13%
6/30/09	-	1,767,772	1,767,772	0%	14,499,682	12%

The information presented above includes the Urbana Free Library.

CITY OF URBANA**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
June 30, 2014

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget is as amended by the City Council. All annual appropriations lapse at fiscal year end.

Prior to June 30, the City Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of an ordinance. Formal budgetary integration is employed as a management control device during the year for all funds except the Post TIF 3 Escrow Fund, Insurance Financing Fund, Broadband Construction Fund and Boneyard Improvement Fund, for which no budgets were adopted.

The City is authorized to change budgeted amounts within any fund; however, revision must be approved by two-thirds of the members of the City Council. No revisions can be made increasing the budget unless funding is available for the purpose of the revision. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The appropriated budget is prepared by fund, function, and department. The City Finance Director is authorized to transfer budget amounts between departments within any fund; however, the City Council must approve revisions that alter the total expenditures of any fund.

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SUPPLEMENTARY INFORMATION

CITY OF URBANA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of June 30, 2014

	Special Revenue			
	Social Services	Vehicle and Equipment Replacement	Special Community Development	HOME Community Development
ASSETS				
Cash and investments	\$ 12,792	\$ 5,238,455	\$ 203,022	\$ 57
Receivables (net)				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	10,000	-
Grants	-	7,308	1,111	700,379
Due from other funds	-	886	125,979	65,429
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 12,792</u>	<u>\$ 5,246,649</u>	<u>\$ 340,112</u>	<u>\$ 765,865</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 220	\$ 42,407	\$ 1,125	\$ 46,943
Accrued salaries and taxes	-	-	-	-
Due to other funds	-	2,733	115,116	670,108
Unearned revenues	-	36,371	5,271	-
Total Liabilities	<u>220</u>	<u>81,511</u>	<u>121,512</u>	<u>717,051</u>
Deferred Inflows of Resources				
Property taxes levied for future periods	-	-	-	-
Unavailable revenues for grants	-	-	-	409,998
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,998</u>
Fund Balances (Deficit)				
Nonspendable for prepaid items	-	-	-	-
Restricted for urban housing and development	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for public safety	-	-	-	-
Committed for highways and streets	-	-	-	-
Committed for capital projects	-	-	-	-
Assigned for public safety	-	5,165,138	-	-
Assigned for urban housing and development	-	-	218,600	-
Assigned for social services	12,572	-	-	-
Assigned for workers' compensation	-	-	-	-
Assigned for public television	-	-	-	-
Assigned for capital projects	-	-	-	-
Unassigned	-	-	-	(361,184)
Total Fund Balances (deficit)	<u>12,572</u>	<u>5,165,138</u>	<u>218,600</u>	<u>(361,184)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,792</u>	<u>\$ 5,246,649</u>	<u>\$ 340,112</u>	<u>\$ 765,865</u>

Special Revenue						
Community Development Block Grant	Tax Increment Financing District 1	Tax Increment Financing District 2	Tax Increment Financing District 3	Tax Increment Financing District 4	Economic Development	Insurance Financing
\$ 919	\$ 857,299	\$ 2,289,659	\$ -	\$ 2,173,262	\$ 179,418	\$ 2,997,790
-	264,918	636,797	-	512,472	-	-
125,515	-	39,310	-	-	234,630	-
-	-	-	-	-	-	-
9,576	90,457	-	-	-	125,270	-
-	-	-	-	-	12,238	-
<u>\$ 136,010</u>	<u>\$ 1,212,674</u>	<u>\$ 2,965,766</u>	<u>\$ -</u>	<u>\$ 2,685,734</u>	<u>\$ 551,556</u>	<u>\$ 2,997,790</u>
\$ 9,677	\$ 371,318	\$ 331,964	\$ -	\$ 76,780	\$ 12,202	\$ -
-	3,344	2,898	-	5,912	1,550	-
130,331	142,864	137,192	-	1,502	205,117	-
-	-	-	-	-	-	-
<u>140,008</u>	<u>517,526</u>	<u>472,054</u>	<u>-</u>	<u>84,194</u>	<u>218,869</u>	<u>-</u>
-	263,327	561,993	-	489,391	-	-
21,291	-	-	-	-	-	-
<u>21,291</u>	<u>263,327</u>	<u>561,993</u>	<u>-</u>	<u>489,391</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	12,238	-
-	431,821	1,931,719	-	2,112,149	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	320,449	-
-	-	-	-	-	-	2,997,790
-	-	-	-	-	-	-
(25,289)	-	-	-	-	-	-
<u>(25,289)</u>	<u>431,821</u>	<u>1,931,719</u>	<u>-</u>	<u>2,112,149</u>	<u>332,687</u>	<u>2,997,790</u>
<u>\$ 136,010</u>	<u>\$ 1,212,674</u>	<u>\$ 2,965,766</u>	<u>\$ -</u>	<u>\$ 2,685,734</u>	<u>\$ 551,556</u>	<u>\$ 2,997,790</u>

CITY OF URBANA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2014

	Special Revenue			
	Recycling	Public Television	Police Records	Emergency Solutions
ASSETS				
Cash and investments	\$ 646,995	\$ 33,979	\$ 45,690	\$ (2)
Receivables (net)				
Property taxes	-	-	-	-
Other taxes	123,058	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	2,574	-
Grants	-	-	-	-
Due from other funds	702	-	469	-
Prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 770,755</u>	<u>\$ 33,979</u>	<u>\$ 48,733</u>	<u>\$ (2)</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 66,132	\$ 400	\$ -	\$ -
Accrued salaries and taxes	14,889	5,379	3,152	-
Due to other funds	15,645	890	390	1,403
Unearned revenues	-	-	-	-
Total Liabilities	<u>96,666</u>	<u>6,669</u>	<u>3,542</u>	<u>1,403</u>
Deferred Inflows of Resources				
Property taxes levied for future periods	-	-	-	-
Unavailable revenues for grants	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)				
Nonspendable for prepaid items	-	-	-	-
Restricted for urban housing and development	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for public safety	-	-	20,376	-
Committed for highways and streets	674,089	-	-	-
Committed for capital projects	-	-	-	-
Assigned for public safety	-	-	24,815	-
Assigned for urban housing and development	-	-	-	-
Assigned for social services	-	-	-	-
Assigned for workers' compensation	-	-	-	-
Assigned for public television	-	27,310	-	-
Assigned for capital projects	-	-	-	-
Unassigned	-	-	-	(1,405)
Total Fund Balances (deficit)	<u>674,089</u>	<u>27,310</u>	<u>45,191</u>	<u>(1,405)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 770,755</u>	<u>\$ 33,979</u>	<u>\$ 48,733</u>	<u>\$ (2)</u>

Capital Projects					
Capital Improvement and Replacement	Broadband Construction	Sanitary Sewer Construction	Motor Fuel Tax	Boneyard Improvement	Total Nonmajor Governmental Funds
\$ 1,672,477	\$ 828,963	\$ 282,569	\$ 3,177,985	\$ 1,880,721	\$ 22,522,050
-	-	-	-	-	1,414,187
60,321	-	307,386	-	-	490,765
517,523	-	-	-	-	916,978
1,740,989	-	58,505	521,431	-	2,333,499
-	-	-	-	-	708,798
610,810	-	-	-	-	1,029,578
1,357	-	-	-	-	13,595
<u>\$ 4,603,477</u>	<u>\$ 828,963</u>	<u>\$ 648,460</u>	<u>\$ 3,699,416</u>	<u>\$ 1,880,721</u>	<u>\$ 29,429,450</u>
\$ 461,067	\$ 72,340	\$ 37,203	\$ 1,403,726	\$ 312,879	\$ 3,246,383
-	-	-	-	-	37,124
548,174	750,798	1,200	-	-	2,723,463
119,622	-	-	-	-	161,264
<u>1,128,863</u>	<u>823,138</u>	<u>38,403</u>	<u>1,403,726</u>	<u>312,879</u>	<u>6,168,234</u>
-	-	-	-	-	1,314,711
-	-	-	-	-	431,289
-	-	-	-	-	<u>1,746,000</u>
1,357	-	-	-	-	13,595
-	-	-	-	-	4,475,689
-	5,825	-	2,295,690	1,567,842	3,869,357
-	-	-	-	-	20,376
-	-	-	-	-	674,089
-	-	610,057	-	-	610,057
-	-	-	-	-	5,189,953
-	-	-	-	-	539,049
-	-	-	-	-	12,572
-	-	-	-	-	2,997,790
-	-	-	-	-	27,310
3,473,257	-	-	-	-	3,473,257
-	-	-	-	-	(387,878)
<u>3,474,614</u>	<u>5,825</u>	<u>610,057</u>	<u>2,295,690</u>	<u>1,567,842</u>	<u>21,515,216</u>
<u>\$ 4,603,477</u>	<u>\$ 828,963</u>	<u>\$ 648,460</u>	<u>\$ 3,699,416</u>	<u>\$ 1,880,721</u>	<u>\$ 29,429,450</u>

CITY OF URBANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Special Revenue			
	Social Services	Vehicle and Equipment Replacement	Special Community Development	HOME Community Development
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Intergovernmental	-	62,913	189,203	871,496
Licenses, fines, and service charges	-	160,197	13,564	23,094
Investment income	-	90,863	55	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>313,973</u>	<u>202,822</u>	<u>894,590</u>
EXPENDITURES				
Current				
General government	195,556	-	-	-
Public safety	-	83,571	-	-
Highways and streets	-	-	-	-
Urban redevelopment and housing	-	-	292,220	1,283,708
Capital Outlay	-	528,257	46,000	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>195,556</u>	<u>611,828</u>	<u>338,220</u>	<u>1,283,708</u>
Excess (deficiency) of revenues over expenditures	<u>(195,556)</u>	<u>(297,855)</u>	<u>(135,398)</u>	<u>(389,118)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers in	195,000	1,014,430	127,277	27,934
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>195,000</u>	<u>1,014,430</u>	<u>127,277</u>	<u>27,934</u>
Net Change in Fund Balances	(556)	716,575	(8,121)	(361,184)
FUND BALANCES (DEFICIT) - Beginning of Year (as restated)	<u>13,128</u>	<u>4,448,563</u>	<u>226,721</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 12,572</u>	<u>\$ 5,165,138</u>	<u>\$ 218,600</u>	<u>\$ (361,184)</u>

Special Revenue

Community Development Block Grant	Tax Increment Financing District 1	Tax Increment Financing District 2	Tax Increment Financing District 3	Tax Increment Financing District 4	Economic Development	Insurance Financing
\$ -	\$ 629,254	\$ 1,358,268	\$ 874,088	\$ 779,786	\$ -	\$ -
-	-	-	-	-	-	-
271,193	-	-	-	4,814	6,782	-
884	-	-	-	-	80,778	-
-	10,723	29,729	122,824	25,890	(8,481)	56,181
-	-	-	-	-	-	-
<u>272,077</u>	<u>639,977</u>	<u>1,387,997</u>	<u>996,912</u>	<u>810,490</u>	<u>79,079</u>	<u>56,181</u>
-	-	-	-	-	50,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
269,329	781,626	273,963	528,120	374,862	103,480	-
23,827	520,594	364,148	930,049	62,089	-	-
-	-	815,000	-	-	-	-
-	-	60,322	-	-	-	-
<u>293,156</u>	<u>1,302,220</u>	<u>1,513,433</u>	<u>1,458,169</u>	<u>436,951</u>	<u>153,480</u>	<u>-</u>
(21,079)	(662,243)	(125,436)	(461,257)	373,539	(74,401)	56,181
-	-	-	-	-	-	-
-	334,487	-	-	-	-	-
-	(101,520)	(334,487)	(11,793,210)	-	-	-
-	<u>232,967</u>	<u>(334,487)</u>	<u>(11,793,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(21,079)	(429,276)	(459,923)	(12,254,467)	373,539	(74,401)	56,181
(4,210)	861,097	2,391,642	12,254,467	1,738,610	407,088	2,941,609
<u>\$ (25,289)</u>	<u>\$ 431,821</u>	<u>\$ 1,931,719</u>	<u>\$ -</u>	<u>\$ 2,112,149</u>	<u>\$ 332,687</u>	<u>\$ 2,997,790</u>

CITY OF URBANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Special Revenue			
	Recycling	Public Television	Police Records	Emergency Solutions
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Intergovernmental	-	-	94,258	35,053
Licenses, fines, and service charges	1,301,140	340	-	-
Investment income	(187)	3	5	-
Miscellaneous	-	-	-	-
Total Revenues	<u>1,300,953</u>	<u>343</u>	<u>94,263</u>	<u>35,053</u>
EXPENDITURES				
Current				
General government	-	141,377	-	-
Public safety	-	-	73,882	1,403
Highways and streets	1,110,418	-	-	-
Urban redevelopment and housing	-	-	-	35,055
Capital Outlay	15,833	2,538	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>1,126,251</u>	<u>143,915</u>	<u>73,882</u>	<u>36,458</u>
Excess (deficiency) of revenues over expenditures	<u>174,702</u>	<u>(143,572)</u>	<u>20,381</u>	<u>(1,405)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers in	-	152,500	24,810	-
Transfers out	(29,910)	-	-	-
Total Other Financing Sources (Uses)	<u>(29,910)</u>	<u>152,500</u>	<u>24,810</u>	<u>-</u>
Net Change in Fund Balances	144,792	8,928	45,191	(1,405)
FUND BALANCES (DEFICIT) - Beginning of Year (as restated)	<u>529,297</u>	<u>18,382</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 674,089</u>	<u>\$ 27,310</u>	<u>\$ 45,191</u>	<u>\$ (1,405)</u>

Capital Projects					
Capital Improvement and Replacement	Broadband Construction	Sanitary Sewer Construction	Motor Fuel Tax	Boneyard Improvement	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,641,396
-	-	1,303,508	-	-	1,303,508
2,649,361	444,018	-	2,015,564	-	6,644,655
1,243,061	-	4,250	-	-	2,827,308
30,601	249	194	58,577	1,332	418,558
55,491	-	-	-	-	55,491
<u>3,978,514</u>	<u>444,267</u>	<u>1,307,952</u>	<u>2,074,141</u>	<u>1,332</u>	<u>14,890,916</u>
-	-	-	-	-	386,933
-	-	-	-	-	158,856
343,841	146,998	118,823	-	-	1,720,080
-	-	-	-	-	3,942,363
3,296,147	202,111	408,796	2,608,209	4,424,947	13,433,545
-	-	-	-	-	815,000
-	-	-	-	-	60,322
<u>3,639,988</u>	<u>349,109</u>	<u>527,619</u>	<u>2,608,209</u>	<u>4,424,947</u>	<u>20,517,099</u>
<u>338,526</u>	<u>95,158</u>	<u>780,333</u>	<u>(534,068)</u>	<u>(4,423,615)</u>	<u>(5,626,183)</u>
-	-	-	-	4,000,000	4,000,000
941,096	-	-	-	-	2,817,534
(760,534)	-	(702,570)	-	-	(13,722,231)
<u>180,562</u>	<u>-</u>	<u>(702,570)</u>	<u>-</u>	<u>4,000,000</u>	<u>(6,904,697)</u>
519,088	95,158	77,763	(534,068)	(423,615)	(12,530,880)
<u>2,955,526</u>	<u>(89,333)</u>	<u>532,294</u>	<u>2,829,758</u>	<u>1,991,457</u>	<u>34,046,096</u>
<u>\$ 3,474,614</u>	<u>\$ 5,825</u>	<u>\$ 610,057</u>	<u>\$ 2,295,690</u>	<u>\$ 1,567,842</u>	<u>\$ 21,515,216</u>

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CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SOCIAL SERVICES FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
General Government			
Contractual services	195,000	195,000	195,556
Total general government	195,000	195,000	195,556
Total Expenditures	195,000	195,000	195,556
Excess (deficiency) of revenues over (under) expenditures	(195,000)	(195,000)	(195,556)
OTHER FINANCING SOURCES			
Transfers in	265,000	265,000	195,000
Total Other Financing Sources	265,000	265,000	195,000
Net Change in Fund Balance	<u>\$ 70,000</u>	<u>\$ 70,000</u>	(556)
FUND BALANCE - Beginning of Year			<u>13,128</u>
FUND BALANCE - END OF YEAR			<u>\$ 12,572</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - VEHICLE AND EQUIPMENT REPLACEMENT FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 21,000	\$ 21,000	\$ 62,913
Licenses, fines, and service charges	192,053	192,053	160,197
Investment income	90,310	90,310	90,863
Total Revenues	<u>303,363</u>	<u>303,363</u>	<u>313,973</u>
EXPENDITURES			
Public Safety - Police			
Materials and services	506,398	506,398	38,861
Contractual services	80,108	80,108	38,439
Total public safety - police	<u>586,506</u>	<u>586,506</u>	<u>77,300</u>
Public Safety - Fire			
Materials and supplies	17,060	17,060	4,885
Contractual services	27,651	27,651	1,386
Total public safety - fire	<u>44,711</u>	<u>44,711</u>	<u>6,271</u>
Capital Outlay	<u>541,965</u>	<u>541,965</u>	<u>528,257</u>
Total Expenditures	<u>1,173,182</u>	<u>1,173,182</u>	<u>611,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(869,819)</u>	<u>(869,819)</u>	<u>(297,855)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,020,460</u>	<u>1,020,460</u>	<u>1,014,430</u>
Total Other Financing Sources (Uses)	<u>1,020,460</u>	<u>1,020,460</u>	<u>1,014,430</u>
Net Change in Fund Balance	<u>\$ 150,641</u>	<u>\$ 150,641</u>	716,575
FUND BALANCE - Beginning of Year			<u>4,448,563</u>
FUND BALANCE - END OF YEAR			<u>\$ 5,165,138</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL COMMUNITY DEVELOPMENT FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 196,879	\$ 196,879	\$ 189,203
Licenses, fines, and service charges	54,000	54,000	13,564
Investment income	500	500	55
Total Revenues	<u>251,379</u>	<u>251,379</u>	<u>202,822</u>
EXPENDITURES			
Urban Redevelopment and Housing			
Personnel services	62,090	62,090	15,836
Materials and supplies	745	745	172
Contractual services	381,234	381,234	276,212
Total urban redevelopment and housing	<u>444,069</u>	<u>444,069</u>	<u>292,220</u>
Capital Outlay	-	-	46,000
Total Expenditures	<u>444,069</u>	<u>444,069</u>	<u>338,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(192,690)</u>	<u>(192,690)</u>	<u>(135,398)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	184,690	184,690	127,277
Transfers out	(8,864)	(8,864)	-
Total Other Financing Sources (Uses)	<u>175,826</u>	<u>175,826</u>	<u>127,277</u>
Net Change in Fund Balance	<u>\$ (16,864)</u>	<u>\$ (16,864)</u>	(8,121)
FUND BALANCE - Beginning of Year			<u>226,721</u>
FUND BALANCE - END OF YEAR			<u>\$ 218,600</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - HOME COMMUNITY DEVELOPMENT FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 987,081	\$ 2,617,721	\$ 871,496
Licenses, fines, and service charges	-	-	23,094
Total Revenues	<u>987,081</u>	<u>2,617,721</u>	<u>894,590</u>
EXPENDITURES			
Urban Redevelopment and Housing			
Personnel services	170,240	119,239	120,094
Materials and supplies	26,964	9,000	27,619
Contractual services	814,127	2,524,472	1,135,995
Total urban redevelopment and housing	<u>1,011,331</u>	<u>2,652,711</u>	<u>1,283,708</u>
Total Expenditures	<u>1,011,331</u>	<u>2,652,711</u>	<u>1,283,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,250)</u>	<u>(34,990)</u>	<u>(389,118)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	34,990	34,990	27,934
Transfers out	<u>(10,740)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>24,250</u>	<u>34,990</u>	<u>27,934</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(361,184)
FUND BALANCE - Beginning of Year			<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR			<u>\$ (361,184)</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 362,644	\$ 373,708	\$ 271,193
Licenses, fines, and service charges	38,000	38,000	884
Total Revenues	<u>400,644</u>	<u>411,708</u>	<u>272,077</u>
EXPENDITURES			
Urban Redevelopment and Housing			
Personnel services	184,658	167,594	195,300
Materials and supplies	1,000	1,000	251
Contractual services	201,761	207,761	73,778
Total urban redevelopment and housing	<u>387,419</u>	<u>376,355</u>	<u>269,329</u>
Capital Outlay	-	-	23,827
Total Expenditures	<u>387,419</u>	<u>376,355</u>	<u>293,156</u>
Net Change in Fund Balance	<u>\$ 13,225</u>	<u>\$ 35,353</u>	(21,079)
FUND BALANCE (DEFICIT) - Beginning of Year			<u>(4,210)</u>
FUND BALANCE (DEFICIT) - END OF YEAR			<u>\$ (25,289)</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - TAX INCREMENT FINANCING DISTRICT 1 FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property taxes	\$ 753,784	\$ 753,784	\$ 629,254
Investment income	3,000	3,000	10,723
Total Revenues	<u>756,784</u>	<u>756,784</u>	<u>639,977</u>
EXPENDITURES			
Urban Redevelopment and Housing			
Personnel services	86,280	86,280	30,561
Contractual services	705,080	880,080	751,065
Total urban redevelopment and housing	<u>791,360</u>	<u>966,360</u>	<u>781,626</u>
Capital Outlay	-	25,000	520,594
Total Expenditures	<u>791,360</u>	<u>991,360</u>	<u>1,302,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,576)</u>	<u>(234,576)</u>	<u>(662,243)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000	400,000	334,487
Transfers out	(86,490)	(86,490)	(101,520)
Total Other Financing Sources (Uses)	<u>113,510</u>	<u>313,510</u>	<u>232,967</u>
Net Change in Fund Balance	<u>\$ 78,934</u>	<u>\$ 78,934</u>	(429,276)
FUND BALANCE - Beginning of Year			<u>861,097</u>
FUND BALANCE - END OF YEAR			<u>\$ 431,821</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - TAX INCREMENT FINANCING DISTRICT 2 FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property taxes	\$ 1,244,000	\$ 1,244,000	\$ 1,358,268
Investment income	15,000	15,000	29,729
Total Revenues	<u>1,259,000</u>	<u>1,259,000</u>	<u>1,387,997</u>
EXPENDITURES			
Urban Redvelopemnt and Housing			
Personnel services	63,640	63,640	73,832
Contractual services	252,660	252,660	200,131
Total urban redvelopemnt and housing	<u>316,300</u>	<u>316,300</u>	<u>273,963</u>
Debt Service			
Principal	928,270	928,270	815,000
Interest and fiscal charges	-	-	60,322
Total debt service	<u>928,270</u>	<u>928,270</u>	<u>875,322</u>
Capital Outlay	5,198,425	5,198,425	364,148
Total Expenditures	<u>6,442,995</u>	<u>6,442,995</u>	<u>1,513,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,183,995)</u>	<u>(5,183,995)</u>	<u>(125,436)</u>
OTHER FINANCING SOURCES (USES)			
General obligation debt issued	3,200,000	3,200,000	-
Transfers out	(200,000)	(411,000)	(334,487)
Total Other Financing Sources (Uses)	<u>3,000,000</u>	<u>2,789,000</u>	<u>(334,487)</u>
Net Change in Fund Balance	<u>\$ (2,183,995)</u>	<u>\$ (2,394,995)</u>	<u>(459,923)</u>
FUND BALANCE - Beginning of Year			<u>2,391,642</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,931,719</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - TAX INCREMENT FINANCING DISTRICT 3 FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property taxes	\$ 421,000	\$ 421,000	\$ 874,088
Investment income	1,000	1,000	122,824
Total Revenues	<u>422,000</u>	<u>422,000</u>	<u>996,912</u>
EXPENDITURES			
Urban Redevelopment and Housing			
Personnel services	43,820	43,820	55,292
Contractual services	<u>498,525</u>	<u>498,525</u>	<u>472,828</u>
Total urban redevelopment and housing	<u>542,345</u>	<u>542,345</u>	<u>528,120</u>
Capital Outlay	<u>920,000</u>	<u>920,000</u>	<u>930,049</u>
Total Expenditures	<u>1,462,345</u>	<u>1,462,345</u>	<u>1,458,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,040,345)</u>	<u>(1,040,345)</u>	<u>(461,257)</u>
OTHER FINANCING USES			
Transfers out	<u>(253,000)</u>	<u>(253,000)</u>	<u>(11,793,210)</u>
Total Other Financing Uses	<u>(253,000)</u>	<u>(253,000)</u>	<u>(11,793,210)</u>
Net Change in Fund Balance	<u>\$ (1,293,345)</u>	<u>\$ (1,293,345)</u>	(12,254,467)
FUND BALANCE - Beginning of Year (as restated)			<u>12,254,467</u>
FUND BALANCE - END OF YEAR			<u>\$ -</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - TAX INCREMENT FINANCING DISTRICT 4 FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property taxes	\$ 884,510	\$ 884,510	\$ 779,786
Intergovernmental	-	-	4,814
Investment income	16,700	16,700	25,890
Total Revenues	<u>901,210</u>	<u>901,210</u>	<u>810,490</u>
EXPENDITURES			
Urban Redevelopment and Housing			
Personnel services	43,820	43,820	68,564
Contractual services	672,580	672,580	306,298
Total urban redevelopment and housing	<u>716,400</u>	<u>716,400</u>	<u>374,862</u>
Capital Outlay	250,000	450,000	62,089
Total Expenditures	<u>966,400</u>	<u>1,166,400</u>	<u>436,951</u>
Net Change in Fund Balance	<u>\$ (65,190)</u>	<u>\$ (265,190)</u>	373,539
FUND BALANCE - Beginning of Year			<u>1,738,610</u>
FUND BALANCE - END OF YEAR			<u>\$ 2,112,149</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 6,782
Licenses, fines, and service charges	107,000	107,000	80,778
Investment income	3,000	3,000	(8,481)
Total Revenues	<u>110,000</u>	<u>110,000</u>	<u>79,079</u>
EXPENDITURES			
General Government			
Contractual services	-	-	50,000
Total general government	-	-	50,000
Urban Redevelopment and Housing			
Personnel services	14,600	14,600	13,909
Contractual services	222,148	244,148	89,571
Total urban redevelopment and housing	<u>236,748</u>	<u>258,748</u>	<u>103,480</u>
Total Expenditures	<u>236,748</u>	<u>258,748</u>	<u>153,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,748)</u>	<u>(148,748)</u>	<u>(74,401)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	11,000	-
Transfers out	(40,230)	(40,230)	-
Total Other Financing Sources (Uses)	<u>(40,230)</u>	<u>(29,230)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (166,978)</u>	<u>\$ (177,978)</u>	(74,401)
FUND BALANCE - Beginning of Year			<u>407,088</u>
FUND BALANCE - END OF YEAR			<u>\$ 332,687</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - RECYCLING FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Licenses, fines, and service charges	\$ 1,198,321	\$ 1,198,321	\$ 1,301,140
Investment income	8,500	8,500	(187)
Total Revenues	<u>1,206,821</u>	<u>1,206,821</u>	<u>1,300,953</u>
EXPENDITURES			
Highways and Streets			
Personnel services	413,520	413,520	386,198
Materials and supplies	113,966	113,966	59,503
Contractual services	<u>779,676</u>	<u>779,676</u>	<u>664,717</u>
Total highways and streets	<u>1,307,162</u>	<u>1,307,162</u>	<u>1,110,418</u>
Capital Outlay	<u>-</u>	<u>16,500</u>	<u>15,833</u>
Total Expenditures	<u>1,307,162</u>	<u>1,323,662</u>	<u>1,126,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,341)</u>	<u>(116,841)</u>	<u>174,702</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(29,910)</u>	<u>(29,910)</u>	<u>(29,910)</u>
Total Other Financing Sources (Uses)	<u>(29,910)</u>	<u>(29,910)</u>	<u>(29,910)</u>
Net Change in Fund Balance	<u>\$ (130,251)</u>	<u>\$ (146,751)</u>	144,792
FUND BALANCE - Beginning of Year			<u>529,297</u>
FUND BALANCE - END OF YEAR			<u>\$ 674,089</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - PUBLIC TELEVISION FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Licenses, fines, and service charges	\$ 100	\$ 100	\$ 340
Investment income	-	-	3
Total Revenues	<u>100</u>	<u>100</u>	<u>343</u>
EXPENDITURES			
General Government			
Personnel services	140,980	140,980	135,956
Supplies	24,000	24,000	-
Contractual services	<u>9,470</u>	<u>9,470</u>	<u>5,421</u>
Total general government	<u>174,450</u>	<u>174,450</u>	<u>141,377</u>
Capital Outlay			
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>2,538</u>
	<u>179,450</u>	<u>179,450</u>	<u>143,915</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(179,350)</u>	<u>(179,350)</u>	<u>(143,572)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>152,500</u>	<u>152,500</u>	<u>152,500</u>
Total Other Financing Sources (Uses)	<u>152,500</u>	<u>152,500</u>	<u>152,500</u>
Net Change in Fund Balance	<u>\$ (26,850)</u>	<u>\$ (26,850)</u>	8,928
FUND BALANCE - Beginning of Year			<u>18,382</u>
FUND BALANCE - END OF YEAR			<u>\$ 27,310</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - POLICE RECORDS FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 90,300	\$ 90,300	\$ 94,258
Investment income	-	-	5
Total Revenues	<u>90,300</u>	<u>90,300</u>	<u>94,263</u>
EXPENDITURES			
Public Safety - Police			
Personnel services	103,930	103,930	64,874
Contractual services	<u>11,180</u>	<u>11,180</u>	<u>9,008</u>
Total public safety - police	<u>115,110</u>	<u>115,110</u>	<u>73,882</u>
Total Expenditures	<u>115,110</u>	<u>115,110</u>	<u>73,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,810)</u>	<u>(24,810)</u>	<u>20,381</u>
OTHER FINANCING SOURCES			
Transfers in	<u>24,810</u>	<u>24,810</u>	<u>24,810</u>
Total Other Financing Sources	<u>24,810</u>	<u>24,810</u>	<u>24,810</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	45,191
FUND BALANCE - Beginning of Year			<u>-</u>
FUND BALANCE - END OF YEAR			<u>\$ 45,191</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - EMERGENCY SOLUTIONS FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ -	\$ 70,618	\$ 35,053
Total Revenues	<u>-</u>	<u>70,618</u>	<u>35,053</u>
EXPENDITURES			
Urban Redevelopment and Housing			
Contractual services	-	69,215	35,055
Total urban redevelopment and housing	<u>-</u>	<u>69,215</u>	<u>35,055</u>
Public Safety - Police			
Personnel services	-	1,403	1,403
Total public safety - police	<u>-</u>	<u>1,403</u>	<u>1,403</u>
Total Expenditures	<u>-</u>	<u>70,618</u>	<u>36,458</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(1,405)
FUND BALANCE - Beginning of Year			<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR			<u>\$ (1,405)</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL IMPROVEMENT AND REPLACEMENT FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 6,235,000	\$ 7,790,902	\$ 2,649,361
Licenses, fines, and service charges	13,257,033	14,107,033	1,243,061
Investment income	21,461	21,461	30,601
Miscellaneous	5,000	5,000	55,491
Total Revenues	<u>19,518,494</u>	<u>21,924,396</u>	<u>3,978,514</u>
EXPENDITURES			
Highways and Streets			
Contractual services	<u>449,230</u>	<u>444,230</u>	<u>343,841</u>
Total highways and streets	<u>449,230</u>	<u>444,230</u>	<u>343,841</u>
Capital Outlay	<u>20,126,520</u>	<u>22,747,422</u>	<u>3,296,147</u>
Total Expenditures	<u>20,575,750</u>	<u>23,191,652</u>	<u>3,639,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,057,256)</u>	<u>(1,267,256)</u>	<u>338,526</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,190,400	1,250,400	941,096
Transfers out	<u>(985,540)</u>	<u>(985,540)</u>	<u>(760,534)</u>
Total Other Financing Sources (Uses)	<u>204,860</u>	<u>264,860</u>	<u>180,562</u>
Net Change in Fund Balance	<u>\$ (852,396)</u>	<u>\$ (1,002,396)</u>	519,088
FUND BALANCE - Beginning of Year			<u>2,955,526</u>
FUND BALANCE - END OF YEAR			<u>\$ 3,474,614</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - SANITARY SEWER CONSTRUCTION FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Sewer benefit taxes	\$ 1,305,040	\$ 1,305,040	\$ 1,303,508
Licenses, fines, and service charges	2,500	2,500	4,250
Investment income	2,000	2,000	194
Total Revenues	<u>1,309,540</u>	<u>1,309,540</u>	<u>1,307,952</u>
EXPENDITURES			
Highways and Streets			
Contractual services	<u>235,190</u>	<u>235,190</u>	<u>118,823</u>
Total highways and streets	<u>235,190</u>	<u>235,190</u>	<u>118,823</u>
Capital Outlay	<u>400,000</u>	<u>400,000</u>	<u>408,796</u>
Total Expenditures	<u>635,190</u>	<u>635,190</u>	<u>527,619</u>
Excess of revenues over expenditures	<u>674,350</u>	<u>674,350</u>	<u>780,333</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(702,570)</u>	<u>(702,570)</u>	<u>(702,570)</u>
Total Other Financing Sources (Uses)	<u>(702,570)</u>	<u>(702,570)</u>	<u>(702,570)</u>
Net Change in Fund Balance	<u>\$ (28,220)</u>	<u>\$ (28,220)</u>	77,763
FUND BALANCE - Beginning of Year			<u>532,294</u>
FUND BALANCE - END OF YEAR			<u>\$ 610,057</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - MOTOR FUEL TAX FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 2,144,569	\$ 2,144,569	\$ 2,015,564
Investment income	10,910	10,910	58,577
Total Revenues	<u>2,155,479</u>	<u>2,155,479</u>	<u>2,074,141</u>
EXPENDITURES			
Capital Outlay	<u>3,809,270</u>	<u>3,809,270</u>	<u>2,608,209</u>
Total Expenditures	<u>3,809,270</u>	<u>3,809,270</u>	<u>2,608,209</u>
Net Change in Fund Balance	<u>\$ (1,653,791)</u>	<u>\$ (1,653,791)</u>	(534,068)
FUND BALANCE - Beginning of Year			<u>2,829,758</u>
FUND BALANCE - END OF YEAR			<u>\$ 2,295,690</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
MOTOR VEHICLE PARKING FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
OPERATING REVENUES			
Parking meters	\$ 801,400	\$ 801,400	\$ 825,662
Parking rentals	<u>307,480</u>	<u>307,480</u>	<u>295,366</u>
Total Operating Revenues	<u>1,108,880</u>	<u>1,108,880</u>	<u>1,121,028</u>
OPERATING EXPENSES			
Personnel	222,890	222,890	199,319
Supplies	46,420	46,420	25,042
Contractual services	294,010	294,010	208,219
Depreciation	<u>290,000</u>	<u>290,000</u>	<u>285,985</u>
Total Operating Expenses	<u>853,320</u>	<u>853,320</u>	<u>718,565</u>
Operating Income	<u>255,560</u>	<u>255,560</u>	<u>402,463</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	40,000	40,000	54,526
Interest expense	<u>(22,000)</u>	<u>(22,000)</u>	<u>(6,073)</u>
Total Non-Operating Revenues (Expenses)	<u>18,000</u>	<u>18,000</u>	<u>48,453</u>
Net Income Before Transfers	<u>273,560</u>	<u>273,560</u>	<u>450,916</u>
TRANSFERS			
Transfers out	<u>(777,430)</u>	<u>(777,430)</u>	<u>(777,430)</u>
Net Transfers	<u>(777,430)</u>	<u>(777,430)</u>	<u>(777,430)</u>
Change in net position	<u>\$ (503,870)</u>	<u>\$ (503,870)</u>	(326,514)
NET POSITION - Beginning of Year			<u>8,600,916</u>
NET POSITION - END OF YEAR			<u>\$ 8,274,402</u>

CITY OF URBANA

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
EQUIPMENT SERVICES FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual
	Original	Final	
OPERATING REVENUES			
Charges for services	\$ <u>1,093,270</u>	\$ <u>1,093,270</u>	\$ <u>1,132,374</u>
Total Operating Revenues	<u>1,093,270</u>	<u>1,093,270</u>	<u>1,132,374</u>
OPERATING EXPENSES			
Personnel	411,720	411,720	378,184
Supplies	18,270	18,270	14,195
Contractual services	135,870	135,870	79,929
Equipment parts	210,000	210,000	206,966
Fuel	434,000	434,000	341,789
Depreciation	<u>27,400</u>	<u>27,400</u>	<u>16,938</u>
Total Operating Expenses	<u>1,237,260</u>	<u>1,237,260</u>	<u>1,038,001</u>
Operating Income	<u>(143,990)</u>	<u>(143,990)</u>	<u>94,373</u>
NON-OPERATING REVENUES			
Investment income	<u>-</u>	<u>-</u>	<u>(183)</u>
Total Non-Operating Revenues	<u>-</u>	<u>-</u>	<u>(183)</u>
Change in net position	\$ <u>(143,990)</u>	\$ <u>(143,990)</u>	94,190
NET POSITION - Beginning of Year			<u>160,201</u>
NET POSITION - END OF YEAR			\$ <u>254,391</u>

CITY OF URBANA

COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS

As of June 30, 2014

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,963,008	\$ 449,102	\$ 2,412,110
Investments			
Certificates of deposit	650,000	2,302,654	2,952,654
Money market funds	-	7,205,146	7,205,146
U.S. Government securities	7,651,184	4,950,928	12,602,112
Mutual funds	14,212,470	24,445,025	38,657,495
Domestic common stocks	5,225,350	-	5,225,350
Corporate bonds	3,077,879	655,699	3,733,578
Municipal bonds	391,236	316,056	707,292
Receivables			
Accrued interest	84,779	22,211	106,990
Due from primary government	<u>615,784</u>	<u>395,302</u>	<u>1,011,086</u>
Total Assets	<u>33,871,690</u>	<u>40,742,123</u>	<u>74,613,813</u>
LIABILITIES			
Accounts payable	<u>11,296</u>	<u>1,321</u>	<u>12,617</u>
Total Liabilities	<u>11,296</u>	<u>1,321</u>	<u>12,617</u>
NET POSITION			
Restricted for pensions	<u>\$ 33,860,394</u>	<u>\$ 40,740,802</u>	<u>\$ 74,601,196</u>

CITY OF URBANA

COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
For the Year Ended June 30, 2014

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
ADDITIONS			
Contributions			
Employer contributions	\$ 2,254,203	\$ 1,517,629	\$ 3,771,832
Employee contributions	393,954	350,475	744,429
Total Contributions	<u>2,648,157</u>	<u>1,868,104</u>	<u>4,516,261</u>
Investment income			
Investment income	687,243	1,303,125	1,990,368
Net appreciation in fair value of investments	<u>3,158,768</u>	<u>3,905,202</u>	<u>7,063,970</u>
Total Investment Income	3,846,011	5,208,327	9,054,338
Less Investment expense	<u>169,334</u>	<u>11,954</u>	<u>181,288</u>
Net Investment Income	<u>3,676,677</u>	<u>5,196,373</u>	<u>8,873,050</u>
Total Additions	<u>6,324,834</u>	<u>7,064,477</u>	<u>13,389,311</u>
DEDUCTIONS			
Benefits	1,971,517	1,991,181	3,962,698
Transfers and refunds of service credits	9,518	-	9,518
Administrative costs	<u>26,356</u>	<u>25,265</u>	<u>51,621</u>
Total Deductions	<u>2,007,391</u>	<u>2,016,446</u>	<u>4,023,837</u>
Change in Net Position	4,317,443	5,048,031	9,365,474
NET POSITION - Beginning of Year (as restated)	<u>29,542,951</u>	<u>35,692,771</u>	<u>65,235,722</u>
NET POSITION, END OF YEAR	<u>\$ 33,860,394</u>	<u>\$ 40,740,802</u>	<u>\$ 74,601,196</u>

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STATISTICAL SECTION

This part of the City of Urbana, Illinois' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	108 - 112
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the City's most significant local revenue source.</p>	113 - 116
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	117 - 122
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within the City's financial activities take place.</p>	123 - 126
<p>Operating Information</p> <p>These schedules contain information about the City's service and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</p>	127 - 128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF URBANA, ILLINOIS

SCHEDULE OF NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Amounts Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 64,917	\$ 67,218	\$ 69,988	\$ 74,059	\$ 77,101	\$ 79,853	\$ 81,466	\$ 87,036	\$ 83,380	\$ 86,212
Restricted	9,610	11,872	11,098	11,907	12,905	14,164	13,603	9,781	20,107	8,366
Unrestricted	22,705	22,842	24,519	25,637	24,615	21,977	22,085	27,336	25,589	28,628
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$ 97,232	\$ 101,932	\$ 105,605	\$ 111,603	\$ 114,621	\$ 115,994	\$ 117,154	\$ 124,153	\$ 129,076	\$ 123,206
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 5,160	\$ 5,055	\$ 5,025	\$ 4,893	\$ 5,017	\$ 5,458	\$ 5,609	\$ 5,778	\$ 6,248	\$ 5,953
Unrestricted	2,166	2,338	2,425	3,399	3,571	3,189	3,048	2,970	2,353	2,329
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$ 7,326	\$ 7,393	\$ 7,450	\$ 8,292	\$ 8,588	\$ 8,647	\$ 8,657	\$ 8,748	\$ 8,601	\$ 8,282
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 70,077	\$ 72,273	\$ 75,013	\$ 78,952	\$ 82,118	\$ 85,311	\$ 87,075	\$ 92,814	\$ 89,628	\$ 92,165
Restricted	9,610	11,872	11,098	11,907	12,905	14,164	13,603	9,781	20,107	8,366
Unrestricted	24,871	25,180	26,944	29,036	28,186	25,166	25,133	30,306	27,942	30,957
TOTAL PRIMARY GOVERNMENT	\$ 104,558	\$ 109,325	\$ 113,055	\$ 119,895	\$ 123,209	\$ 124,641	\$ 125,811	\$ 132,901	\$ 137,677	\$ 131,488

Source:
The City of Urbana's Comprehensive Annual Financial Report

* Restated

CITY OF URBANA, ILLINOIS

SCHEDULE OF CHANGES IN NET POSITION
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013 ^a	2014 ^b
EXPENSES										
Governmental activities										
Public safety	\$ 10,838	\$ 11,563	\$ 11,982	\$ 12,536	\$ 14,151	\$ 14,368	\$ 14,644	\$ 15,116	\$ 16,090	\$ 15,967
Highways and streets	9,773	9,049	9,411	9,728	10,591	10,956	10,980	10,376	11,527	12,386
General government	2,475	2,783	3,109	3,019	3,264	3,376	3,395	3,457	3,654	4,900
Urban redevelopment and housing	4,390	4,842	5,903	5,480	5,561	5,790	6,647	6,737	5,969	17,507
Interest on long-term debt	-	-	-	-	-	-	-	-	-	98
Library Services ^d	2,666	2,801	3,103	3,298	3,641	3,693	3,582	3,844	-	-
Total governmental activities expenses	30,142	31,038	33,508	34,061	37,208	38,183	39,248	39,530	37,240	50,858
Business-type activities										
Motor vehicle parking	631	592	655	668	715	747	758	698	735	717
Total business-type activities expenses	631	592	655	668	715	747	758	698	735	717
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 30,773	\$ 31,630	\$ 34,163	\$ 34,729	\$ 37,923	\$ 38,930	\$ 40,006	\$ 40,228	\$ 37,975	\$ 51,575
PROGRAM REVENUES										
Governmental activities										
Charges for services										
Public safety	\$ 2,229	\$ 2,653	\$ 2,315	\$ 3,847	\$ 3,089	\$ 2,717	\$ 2,763	\$ 2,883	\$ 2,988	\$ 3,182
Highways and streets	1,543	1,704	1,559	2,292	1,955	1,742	1,748	1,783	1,833	3,237
Other activities ^{c,d}	1,443	1,891	1,292	1,938	1,405	1,217	1,278	1,941	1,071	-
General government ^c	-	-	-	-	-	-	-	-	-	179
Urban redevelopment and housing ^c	-	-	-	-	-	-	-	-	-	1,080
Operating grants and contributions	2,345	2,800	1,837	1,720	1,797	2,200	1,799	1,826	2,430	1,859
Capital grants and contributions	8	372	22	46	252	1,998	1,874	6,200	3,890	4,434
Total governmental activities program revenues	7,568	9,420	7,025	9,843	8,498	9,874	9,462	14,633	12,212	13,971
Business-type activities program revenues										
Charges for services - motor vehicle parking	1,121	1,105	1,076	1,104	1,101	1,034	1,107	1,102	1,183	1,121
Total business-type activities program revenues	1,121	1,105	1,076	1,104	1,101	1,034	1,107	1,102	1,183	1,121
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 8,689	\$ 10,525	\$ 8,101	\$ 10,947	\$ 9,599	\$ 10,908	\$ 10,569	\$ 15,735	\$ 13,395	\$ 15,092
NET REVENUE (EXPENSE)										
Governmental activities	\$ (22,574)	\$ (21,618)	\$ (26,483)	\$ (24,218)	\$ (28,710)	\$ (28,309)	\$ (29,786)	\$ (24,897)	\$ (25,028)	\$ (36,887)
Business-type activities	490	513	421	436	386	287	349	404	448	404
TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)	\$ (22,084)	\$ (21,105)	\$ (26,062)	\$ (23,782)	\$ (28,324)	\$ (28,022)	\$ (29,437)	\$ (24,493)	\$ (24,580)	\$ (36,483)

Source:
The City of Urbana's Comprehensive Annual Financial Report

CITY OF URBANA, ILLINOIS

SCHEDULE OF CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013 ^a	2014 ^b
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities										
Property taxes	\$ 7,809	\$ 8,320	\$ 9,087	\$ 9,430	\$ 10,968	\$ 10,401	\$ 11,614	\$ 10,583	\$ 8,674	\$ 7,901
Utility taxes	3,922	4,120	3,832	3,757	3,832	3,694	3,865	3,965	4,093	4,161
State and local sales taxes	6,038	6,604	8,094	8,836	8,736	8,422	9,070	9,791	10,170	10,902
Other taxes	1,411	1,500	1,551	1,551	1,530	1,660	1,801	2,128	2,211	2,332
Other intergovernmental	5,104	4,544	5,300	5,311	5,422	3,859	3,734	4,109	3,874	4,327
Investment income	959	618	1,712	1,487	954	1,152	418	769	(417)	562
Miscellaneous	157	122	87	88	86	144	47	44	71	55
Transfers	43	490	500	(245)	201	350	396	508	581	777
Total governmental activities	25,443	26,318	30,163	30,215	31,729	29,682	30,945	31,897	29,257	31,017
Business-type activities										
Investment income	70	44	136	161	111	122	58	94	(14)	54
Miscellaneous	-	-	-	-	-	-	-	100	-	-
Transfers	(43)	(490)	(500)	245	(201)	(350)	(396)	(508)	(581)	(777)
Total business-type activities	27	(446)	(364)	406	(90)	(228)	(338)	(314)	(595)	(723)
TOTAL PRIMARY GOVERNMENT	\$ 25,470	\$ 25,872	\$ 29,799	\$ 30,621	\$ 31,639	\$ 29,454	\$ 30,607	\$ 31,583	\$ 28,662	\$ 30,294
CHANGE IN NET POSITION										
Governmental activities	\$ 2,869	\$ 4,700	\$ 3,680	\$ 5,997	\$ 3,019	\$ 1,373	\$ 1,159	\$ 7,000	\$ 4,229	\$ (5,870)
Business-type activities	517	67	57	842	296	59	11	90	(147)	(319)
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 3,386	\$ 4,767	\$ 3,737	\$ 6,839	\$ 3,315	\$ 1,432	\$ 1,170	\$ 7,090	\$ 4,082	\$ (6,189)

Source:

The City of Urbana's Comprehensive Annual Financial Report

^a Restated

^b Beginning in fiscal year 2014, replacement taxes, state sales taxes, and state use taxes are presented as intergovernmental revenues.

^c Prior to 2014, charges for services for general government and urban redevelopment and housing (along with library services) were combined in the schedule above.

^d In 2013, GASB Statement No. 61 was implemented, resulting in the Urbana Free Library no longer being reported within Governmental Activities.

CITY OF URBANA, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014
GENERAL FUND										
Nonspendable										
Prepaid items	\$ 283	\$ 282	\$ 287	\$ 352	\$ 324	\$ 300	\$ 371	\$ 390	\$ 418	\$ 217
Unrestricted										
Unassigned / unreserved	4,478	5,102	5,850	6,035	6,904	6,018	4,715	5,830	4,645	8,894
TOTAL GENERAL FUND	\$ 4,761	\$ 5,384	\$ 6,137	\$ 6,387	\$ 7,228	\$ 6,318	\$ 5,086	\$ 6,220	\$ 5,063	\$ 9,111
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable										
Prepaid items	66	359	79	84	36	34	29	28	20	14
Restricted										
Library services	1,382	1,474	1,581	1,733	1,766	1,860	2,080	2,108	2,127	-
Urban redevelopment and housing	4,793	6,393	6,620	7,726	8,603	9,443	7,974	5,959	5,875	4,476
Public safety	-	-	-	-	-	-	-	-	-	20
Capital projects	3,086	3,338	2,532	2,012	2,177	2,530	3,549	3,823	4,731	3,869
Unrestricted										
Committed										
Other purposes	127	388	411	346	670	484	205	293	783	-
Urban redevelopment and housing	2,653	2,406	2,030	1,884	591	521	683	600	388	-
Highways and streets	-	-	-	-	-	-	473	2,599	3,406	674
Workers' compensation	3,141	2,965	3,214	3,521	3,329	3,114	2,820	2,956	2,942	-
Capital projects	8,510	7,626	7,916	8,028	7,008	5,298	5,601	4,639	4,529	610
Assigned										
Public safety	-	-	-	-	-	-	-	-	-	5,190
Urban redevelopment and housing	-	-	-	-	-	-	-	-	-	539
Social services	-	-	-	-	-	-	-	-	-	13
Workers' compensation	-	-	-	-	-	-	-	-	-	2,998
Public television	-	-	-	-	-	-	-	-	-	27
Capital projects	-	-	-	-	-	-	-	-	-	3,473
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	(388)
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 23,758	\$ 24,949	\$ 24,383	\$ 25,334	\$ 24,180	\$ 23,284	\$ 23,414	\$ 23,005	\$ 24,801	\$ 21,515
TOTAL ALL GOVERNMENTAL FUNDS	\$ 28,519	\$ 30,333	\$ 30,520	\$ 31,721	\$ 31,408	\$ 29,602	\$ 28,500	\$ 29,225	\$ 29,864	\$ 30,626

* Restated

Source:

The City of Urbana's Comprehensive Annual Financial Report

CITY OF URBANA, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014**
REVENUES										
Property taxes	\$ 7,695	\$ 8,187	\$ 8,830	\$ 9,258	\$ 10,560	\$ 10,533	\$ 11,768	\$ 10,522	\$ 8,673	\$ 7,901
Other taxes	11,371	12,223	13,477	14,143	14,097	13,776	14,736	15,884	16,475	10,863
Intergovernmental	8,781	9,140	8,602	8,598	9,110	9,973	9,188	13,827	12,422	18,595
Investment income	959	618	1,712	1,479	953	1,152	418	769	(417)	562
Licenses, fines and service charges	3,891	4,824	3,723	6,556	4,811	3,761	4,009	4,920	4,023	5,802
Miscellaneous	153	127	82	93	85	139	45	46	-	56
Total revenues	32,850	35,119	36,426	40,127	39,616	39,334	40,164	45,968	41,176	43,779
EXPENDITURES										
Public safety	11,141	11,938	12,489	13,113	14,011	14,552	14,899	15,212	16,097	16,422
Highways and streets	5,676	6,126	6,494	6,729	7,716	8,104	7,900	7,132	7,850	8,097
General government	2,400	2,685	3,078	2,942	3,078	3,273	3,349	3,334	3,704	4,895
Urban redevelopment and housing	4,383	4,806	5,886	5,463	5,468	5,755	6,628	6,675	5,946	17,413
Library services	2,533	2,696	2,980	3,118	3,379	3,507	3,427	3,598	-	-
Debt service										
Principal	-	-	-	-	-	-	-	-	-	815
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	60
Capital outlay	6,931	5,294	5,813	7,315	6,479	6,299	5,459	9,800	9,887	13,434
Total expenditures	33,064	33,545	36,740	38,680	40,131	41,490	41,662	45,751	43,484	61,136
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(214)	1,574	(314)	1,447	(515)	(2,156)	(1,498)	217	(2,308)	(17,357)
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	(120)	241	500	(245)	201	350	396	508	205	\$ 777
Bond proceeds	-	-	-	-	-	-	-	-	3,800	4,000
Total other financing sources (uses)	(120)	241	500	(245)	201	350	396	508	4,005	4,777
NET CHANGES IN FUND BALANCES	\$ (334)	\$ 1,815	\$ 186	\$ 1,202	\$ (314)	\$ (1,806)	\$ (1,102)	\$ 725	\$ 1,697	\$ (12,580)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%

Source:

The City of Urbana's Comprehensive Annual Financial Report

* Restated

** Beginning in fiscal year 2014, replacement taxes, sales taxes, and use taxes are presented as intergovernmental revenues.

CITY OF URBANA, ILLINOIS

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Levy Years**

Levy Year	Residential Property	Commercial Property	Total Taxable Assessed Value (a)	Total Direct Tax Rate (b)	Estimated Actual Taxable Value	Assessed Value as % of Actual Value	Percentage Change
2004	251,591,356	176,215,955	427,807,311	0.01312	1,283,421,933	33%	11.8%
2005	272,438,176	196,612,417	469,050,593	0.01312	1,407,151,779	33%	9.6%
2006	298,445,597	207,230,391	505,675,988	0.01312	1,517,027,964	33%	7.8%
2007	325,902,257	216,421,955	542,324,212	0.01294	1,626,972,636	33%	7.2%
2008	339,924,357	240,170,456	580,094,813	0.01294	1,740,284,439	33%	7.0%
2009	345,226,107	246,662,888	591,888,995	0.01294	1,775,666,985	33%	2.0%
2010	350,754,767	245,020,899	595,775,666	0.01294	1,787,326,998	33%	0.7%
2011	340,386,247	244,199,112	584,585,359	0.01319	1,753,756,077	33%	-1.9%
2012	329,368,177	239,673,992	569,042,169	0.01355	1,707,126,507	33%	-2.7%
2013	326,003,623	194,489,301	520,492,924	0.01355	1,561,478,772	33%	-8.5%

Source: Cook County Assessor's Office.

Note: Property in the City of Urbana is reassessed on a triennial basis. Property is assessed at 33.33% of estimated actual value. Tax rates are per \$100 of equalized assessed value.

^a County deducts the tax-exempt property from each property category before reporting this data.

^b City of Urbana rate only. Excludes all other taxing jurisdictions.

CITY OF URBANA, ILLINOIS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Levy Years

(Tax Rates per \$100 Assessed Valuation)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Urbana:										
Library	0.4950	0.4787	0.4822	0.4752	0.4853	0.4998	0.4927	0.5089	0.5347	0.5608
General	0.3269	0.3326	0.3357	0.3472	0.3312	0.2735	0.2339	0.2454	0.1998	0.1492
Police Pension	0.2851	0.2913	0.2921	0.3034	0.2704	0.2964	0.3266	0.3328	0.3689	0.3928
Fire Pension	0.2050	0.2094	0.1842	0.1684	0.2073	0.2245	0.2410	0.2319	0.2516	0.2522
Total City of Urbana:	<u>1.3120</u>	<u>1.3120</u>	<u>1.2942</u>	<u>1.2942</u>	<u>1.2942</u>	<u>1.2942</u>	<u>1.2942</u>	<u>1.3190</u>	<u>1.3550</u>	<u>1.3550</u>
School District	4.4758	4.3178	4.3377	4.2880	4.3507	4.3178	4.4083	4.5983	4.9537	5.7630
Champaign County	0.7981	0.7801	0.7616	0.7389	0.7426	0.7487	0.7688	0.7841	0.8138	0.8511
Park District	0.7463	0.7218	0.7066	0.6961	0.6962	0.8354	0.8586	0.9526	1.0115	1.1816
Parkland College	0.4847	0.4776	0.4720	0.4688	0.5115	0.5082	0.5064	0.5120	0.5191	0.5253
Mass Transit	0.2677	0.2623	0.2592	0.2544	0.2575	0.2619	0.2725	0.2831	0.2966	0.3198
Cunningham Town	0.1988	0.1932	0.1919	0.1917	0.1875	0.1885	0.1942	0.2030	0.2164	0.2472
Public Health	0.1126	0.1087	0.1060	0.1049	0.1052	0.1071	0.1075	0.1102	0.1163	0.1259
Forest Preserve	0.0839	0.0818	0.0800	0.0779	0.0783	0.0790	0.0817	0.0843	0.0880	0.0931
Total	<u><u>8.4799</u></u>	<u><u>8.2553</u></u>	<u><u>8.2092</u></u>	<u><u>8.1149</u></u>	<u><u>8.2237</u></u>	<u><u>8.3408</u></u>	<u><u>8.4922</u></u>	<u><u>8.8466</u></u>	<u><u>9.3704</u></u>	<u><u>10.4620</u></u>

Source: Champaign County Clerk

CITY OF URBANA, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	At Fiscal Year End June 30, 2014			At Fiscal Year End June 30, 2005		
	Equalized Assessed Value	Rank	Percentage of Total City Equalized Assessed Value	Equalized Assessed Value	Rank	Percentage of Total City Equalized Assessed Value
The Scion Group LLC	11,496,350	1	2.21%			
Town and County Apartments	8,587,720	2	1.65%	5,911,670	5	1.38%
Tekton Group (Lincoln Melrose)	5,887,260	3	1.13%	5,991,440	4	1.40%
Campus Property Management	5,238,310	4	1.01%	9,732,320	3	2.27%
Clark Lindsey Village	4,631,830	5	0.89%	3,777,820	8	0.88%
Amber Apartment LLC	4,364,270	6	0.84%			
Supervalue Inc	4,356,130	7	0.84%	3,988,920	6	0.93%
Walmart Property	3,682,380	8	0.71%			
Hunsinger Enterprises Inc	3,152,180	9	0.61%			
Meijer Inc	3,143,880	10	0.60%			
Carle Foundation				35,974,880	1	8.41%
Provena Covenant / Prescence				13,947,340	2	3.26%
C.U. Partners, Holiday Inn				3,618,160	9	0.85%
Flex-N-Gate				3,785,160	7	0.88%
University Commons				3,486,330	10	0.81%
Total	\$ 54,540,310		10.49%	\$ 90,214,040		21.07%
Total Urbana EAV	\$ 520,492,924			\$ 427,807,311		

Source: Champaign County Clerk

Note: Carle Foundation and Provena Covenant / Prescence did not pay property taxes in 2014

CITY OF URBANA, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Tax Levy Year	Total Tax Levy Extended	Collections in Fiscal Year	Levy Collected In Fiscal Year	Percent of Collections Subsequent Years	Total Tax Collections	Percent of Levy Collected
2004	\$ 5,612,832	\$ 2,904,711	51.75%	2,692,410	\$ 5,597,121	99.72%
2005	6,153,944	3,197,666	51.96%	2,939,507	6,137,173	99.73%
2006	6,544,459	3,347,995	51.16%	3,170,172	6,518,167	99.60%
2007	7,018,760	3,509,185	50.00%	3,498,762	7,007,947	99.85%
2008	7,507,666	3,786,555	50.44%	3,721,111	7,507,666	100.00%
2009	7,660,227	3,869,925	50.52%	3,768,393	7,638,318	99.71%
2010	7,710,529	3,949,073	51.22%	3,735,508	7,684,581	99.66%
2011	7,710,681	4,039,136	52.38%	3,626,140	7,665,276	99.41%
2012	7,710,681	3,574,872	46.36%	3,268,227	6,843,099	88.75%
2013	7,052,679	3,768,460	53.43%	-	3,768,460	53.43%

Source: Champaign County Clerk

Note: Does not include special service areas or incremental property taxes, but does include the Urbana Free Library

CITY OF URBANA, ILLINOIS

RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Governmental Activities General Obligation Bonds</u>	<u>Business-Type Activities Parking Bonds</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (a)</u>	<u>Per Capita (a)</u>
2005	\$ -	\$ 1,122,669	\$ 1,122,669	0.10%	\$ 31
2006	-	1,026,470	1,026,470	0.10%	28
2007	-	923,102	923,102	0.08%	25
2008	-	808,981	808,981	0.07%	21
2009	-	684,039	684,039	0.05%	17
2010	-	548,203	548,203	0.04%	14
2011	-	401,391	401,391	0.03%	10
2012	-	243,516	243,516	0.02%	6
2013	3,800,000	-	3,800,000	0.26%	92
2014	6,985,000	-	6,985,000	0.40%	167

Source:

The City of Urbana's Comprehensive Annual Financial Report

(a) Additional demographic information is available in the schedule of Demographic and Economic Statistics on page xxx.

CITY OF URBANA, ILLINOIS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2005	\$ -	\$ -	0.0%	\$ -
2006	-	-	0.0%	-
2007	-	-	0.0%	-
2008	-	-	0.0%	-
2009	-	-	0.0%	-
2010	-	-	0.0%	-
2011	-	-	0.0%	-
2012	-	-	0.0%	-
2013	3,800,000	3,800,000	0.7%	-
2014	6,985,000	6,985,000	1.3%	167

Note:

Revenue and special assessment debt not included. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population can be found in the schedule of Demographic and Economic Statistics on page xxx. Information on taxable value can be found in the schedule of Assessed Value and Actual Value of Taxable Property.

CITY OF URBANA, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt (1)</u>
Overlapping debt			
Debt repaid with property taxes			
School District	\$ 48,177,000	84%	\$ 40,530,799
Champaign County	42,100,660	15%	6,297,606
Forest Preserve	711,000	15%	105,395
Parkland College	64,115,000	11%	6,956,143
C-U Health District	1,966,245	27%	522,839
C-U Mass Transit District	-	24%	-
Urbana Park District	1,150,940	98%	<u>1,128,820</u>
Subtotal, overlapping debt			55,541,602
City of Urbana direct debt			<u>6,985,000</u>
Total direct and overlapping debt			<u>\$ 62,526,602</u>

Source: Assessed value provided by Champaign County Clerk. Outstanding debt provided by each government unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Urbana. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Urbana. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) Computed by dividing Urbana's assessed value by the assessed value of the overlapping government and multiplying this rate by the overlapping government's outstanding debt. An overlapping government unit is any which levies a tax on a citizen of Urbana. This schedule does not include revenue supported debt.

CITY OF URBANA, ILLINOIS

LEGAL DEBT MARGIN INFORMATION

As of June 30, 2014

The City is a home rule municipality. Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the essential value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing amounts."

To date, the General Assembly has set no limits for home rule municipalities.

CITY OF URBANA, ILLINOIS

REVENUE SUPPORTED BOND COVERAGE
Last Ten Fiscal Years

Fiscal Year	(1) Revenue	(2) Expense	Available for Debt Service	Principal	Interest
2005	1,190,671	339,681	850,990	292,043	90,020
2006	1,148,598	774,277	374,321	96,199	43,625
2007	1,211,998	848,705	363,293	103,368	41,826
2008	1,509,482	358,637	1,150,845	114,121	38,939
2009	1,211,586	608,863	602,723	124,942	34,782
2010	1,156,006	791,490	364,516	135,836	28,665
2011	1,164,927	852,367	312,560	146,812	25,487
2012	1,296,430	915,776	380,654	157,875	19,888
2013	1,168,929	1,019,366	149,563	169,034	13,639
2014	1,175,554	1,502,068	(326,514)	15,296	6,703

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Revenues include operating revenues, interest, other income, and operating transfers in.

(2) Total expenses exclusive of interest and depreciation, including transfers out.

(3) Net revenues available for debt service divided by debt service payments.

<u>Total</u>	<u>(3) Coverage</u>
382,063	223%
139,824	268%
145,194	250%
153,060	752%
159,724	377%
164,501	222%
172,299	181%
177,763	214%
182,673	82%
21,999	-1484%

CITY OF URBANA, ILLINOIS

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	(1) Population	(2) Personal Income (thousands of dollars)	(2) Per Capita Personal Income	(1) Median Age	(3) Education Level in Years of Formal Schooling	(4) School Enrollment	(5) Unemployment Rate
2005	36,555	\$ 1,137,116	\$ 31,107	24.6	13.1	4,369	4.8%
2006	36,590	1,140,620	31,173	24.6	13.5	4,303	4.1%
2007	37,090	1,206,723	32,535	24.6	13.5	4,088	3.9%
2008	38,130	1,299,852	34,090	24.6	13.5	4,141	5.6%
2009	39,170	1,423,242	36,335	24.0	14.1	4,155	8.7%
2010	40,210	1,440,483	35,824	24.0	14.1	4,206	10.4%
2011	41,440	1,544,303	37,266	24.0	14.1	4,242	8.6%
2012	41,511	1,576,859	37,987	24.0	14.1	4,331	8.8%
2013	41,581	1,625,235	39,086	24.0	14.1	4,454	8.5%
2014	41,752	1,739,472	41,662	23.8	14.9	4,494	5.7%

Sources:

(1) Estimate by city staff from U.S. Bureau of Census information. Median age and education levels are based on information from the last quarter of the previous calendar year.

(2) Bureau of Economic Analysis, U.S. Commerce Department, for Champaign-Urbana M.S.A. Amount is for total for the year, expressed in thousands.

(3) Estimate by city staff from American Community Survey. American Community Survey of education levels is conducted once every three years. Level for the year 2009-2011 is based on the three year survey 2008-2010.

(4) Urbana School District #116. Number is from start of school year.

(5) Illinois Bureau of Employment Security, expressed as a percentage. Rate is for last quarter of fiscal year.

CITY OF URBANA, ILLINOIS

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Illinois	10,820	1	9.3%	20,571	1	20.5%
Carle Group	6,000	2	5.2%	5,668	2	5.6%
Champaign Schools	1,814	3	1.6%	1,378	3	1.4%
Kraft Foods	1,350	4	1.2%	1,340	4	1.3%
Urbana Schools	962	5	0.8%	730	8	0.7%
Parkland College	930	6	0.8%	1,200	5	1.2%
Plastipak	810	7	0.7%			
Champaign County	800	8	0.7%	800	7	0.8%
Christie Clinic	750	9	0.6%			
Provena Hospital	700	10	0.6%	1,200	6	1.2%
Solo Cup				700	9	0.7%
Super Value				625	10	0.6%
Total	<u>24,936</u>		<u>21.5%</u>	<u>34,212</u>		<u>34.1%</u>

Sources: Compiled from information provided by the Illinois Department of Commerce and Economic Opportunity and the Champaign County Economic Development Corporation.

CITY OF URBANA, ILLINOIS

NUMBER OF CITY EMPLOYEES BY FUNCTION (FULL-TIME EQUIVALENTS)
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety						
Police safety						
Sworn	51.0	54.0	55.0	55.0	55.0	55.0
Civilian	21.0	21.0	21.0	22.0	22.0	22.0
Fire safety						
Sworn	57.0	57.0	57.0	57.0	57.0	57.0
Civilian	2.0	2.0	2.0	2.0	2.0	2.0
Highways and Streets						
Administration	4.0	5.0	5.0	5.0	5.0	5.0
Maintenance	32.5	31.5	31.5	32.5	32.5	32.5
Engineering	10.5	12.5	12.5	12.5	12.5	13.5
Fleet	4.5	4.5	4.5	4.5	4.5	4.5
Arbor	13.0	13.0	13.0	13.0	13.0	13.0
Facilities	9.5	9.5	9.5	9.5	9.5	9.5
Environmental	3.0	3.0	3.0	3.0	3.0	3.0
General Government						
Administration	4.5	4.5	4.5	4.5	4.5	4.5
Legal	3.0	3.0	4.0	5.0	5.0	5.0
Human resources	3.0	3.0	3.0	3.0	3.0	3.0
Human relations	1.5	1.5	1.5	1.5	1.5	1.5
Finance	8.0	8.0	8.0	8.0	8.0	8.0
Information technology	11.0	11.0	11.0	11.0	11.0	11.0
City clerk	3.0	3.0	3.0	3.0	3.0	3.0
Urban Redevelopment and Housing						
Planning	6.5	6.5	6.5	7.5	7.5	7.5
Economic development	4.3	4.3	4.3	4.3	4.3	4.3
Building safety	8.0	8.0	8.0	8.0	8.0	8.0
Housing	4.2	4.2	4.2	4.2	4.2	4.2
Total	<u>265.0</u>	<u>270.0</u>	<u>272.0</u>	<u>276.0</u>	<u>276.0</u>	<u>277.0</u>

Source: City Finance Department

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
55.0	55.0	54.0	55.0
22.0	22.0	22.0	17.8
56.0	57.0	57.0	57.0
2.0	2.0	2.0	2.0
5.0	5.0	5.0	5.0
29.5	32.5	32.5	32.7
13.5	13.5	13.5	13.9
4.5	4.5	4.5	4.5
13.0	13.0	13.0	14.8
9.5	9.5	9.5	9.8
3.0	3.0	3.0	3.0
3.5	3.5	3.5	3.5
4.0	4.0	4.0	5.0
3.0	3.0	3.0	3.0
1.5	1.5	1.5	1.5
8.0	8.0	11.8	12.0
11.0	11.0	10.0	10.3
3.0	3.0	3.0	3.0
6.5	7.5	7.5	7.3
4.3	4.3	4.3	4.8
8.0	8.0	8.0	7.8
4.2	4.2	4.2	4.0
<u>270.0</u>	<u>275.0</u>	<u>276.8</u>	<u>277.4</u>

CITY OF URBANA, ILLINOIS

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police Department										
Arrests	6,730	7,509	7,281	7,227	7,442	7,251	6,146	6,170	5,956	6,895
Service calls	22,916	19,681	20,479	21,480	21,967	20,964	20,066	20,646	20,100	20,487
Reports written	8,209	7,649	7,740	6,277	7,163	7,119	7,083	7,304	7,108	7,701
Parking tickets issued	53,640	55,451	46,186	42,772	35,143	33,601	24,436	24,666	22,744	21,823
Fire Department										
Fires	209	*	*	175	194	172	186	291	258	207
Overpressure, explosion, overheat	6	*	*	7	12	11	8	13	5	13
Rescue EMS	1,668	*	*	2,126	2,134	2,141	2,285	2,325	2,412	2,713
Hazardous condition	238	*	*	171	221	217	253	239	248	257
Service call	381	*	*	332	343	434	456	467	560	679
Good intent	417	*	*	478	452	475	434	430	380	486
False alarm or false call	1,034	*	*	1,111	1,097	1,072	1,004	1,000	1,064	1,065
Severe weather or natural disaster	11	*	*	6	-	2	4	5	2	5
Special incident	2	*	*	4	3	4	5	2	4	2
Uncoded	25	*	*	75	-	-	-	-	-	-
Inspections:										
Fire/CD combined	**	**	**	**	**	**	**	**	39	-
Certified housing	**	**	**	**	**	**	**	**	18	23
Commercial	**	**	**	**	**	**	**	**	842	1,037
Multi family	**	**	**	**	**	**	**	**	252	333
Residential	**	**	**	**	**	**	**	**	49	23
U of I fire inspection	**	**	**	**	**	**	**	**	44	70
Highways and Streets										
Street resurfacing (sq. yard asphalt and concrete)	***	***	74,000	41,000	37,550	48,182	62,010	63,248	129,271	***
Recycling, tons of waste collected (1000's)										
Non-landscape	5.8	6.0	6.0	6.2	7.8	7.3	8.6	8.8	9.6	***
Landscape	11.0	12.4	13.5	14.5	19.0	20.3	16.9	21.9	17.9	***
General Government										
Licenses/permits processed	502	524	799	810	793	792	833	877	992	1,035
Parking rentals and permits	1,944	2,025	1,947	1,917	1,827	1,837	1,815	1,815	1,762	1,575
Urban Redevelopment and Housing										
Permits issued	2,439	2,121	1,982	1,852	1,642	1,627	1,456	1,513	1,346	1,610
Zoning/planning cases	79	99	86	59	76	54	51	75	43	85

Source: Various city departments.

* Records for responses are corrupted and accurate information is unable to be obtained.

** Changed tracking for inspections in 2013 to be able to break down into specific categories.

*** Information not available.

CITY OF URBANA, ILLINOIS

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

<u>Function/Program</u>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Highways and Streets										
Area City (sq. mi.)	11.5	11.6	11.6	11.6	11.7	11.9	11.9	11.9	11.9	11.9
Miles streets	128.3	130.4	141.2	141.6	144.6	145.5	145.5	143.8	143.8	143.8
Miles sewers	201.8	221.2	222.1	225.7	235.6	237.3	241.0	241.9	243.0	243.8
Street lights	3,469	3,469	3,469	3,569	3,569	3,619	3,659	3,688	3,651	3,768
City trees	12,260	12,400	12,550	12,580	12,610	12,640	12,670	12,700	11,572	11,479

Source: Various city departments.

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CITY OF URBANA, ILLINOIS

COMMUNICATION TO THOSE CHARGED
WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended June 30, 2014

CITY OF URBANA, ILLINOIS

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**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS
IDENTIFIED IN THE AUDIT TO THOSE CHARGED WITH GOVERNANCE**

To the Honorable Mayor and Members of the City Council
City of Urbana, Illinois

In planning and performing our audit of the financial statements of the City of Urbana as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the City's internal control to be material weaknesses:

- > External Financial Reporting
- > Restatement of Prior Year Financial Statements
- > Segregation of Duties – Payroll
- > Review Procedures – Bank Reconciliation and Journal Entries

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. We consider the following deficiencies in the City's internal control to be significant deficiencies:

- > Segregation of Duties – Cash Disbursements
- > Information Technology Control Environment

The City of Urbana's written responses to the significant deficiencies and material weaknesses identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the City Council, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Oak Brook, Illinois
_____, 2015

EXTERNAL FINANCIAL REPORTING

Internal controls encompass all external financial reporting. Like most municipalities in Illinois, the City does not maintain an external financial reporting department or function, but relies on its audit firm for this purpose. However, the external auditor is, by definition, external to the City and cannot be a part of the City's internal control structure since management is responsible for the fair presentation of the financial statements. This includes drafting the individual fund statements, making conversion entries, drafting the government-wide statements, preparing note disclosures, and preparing the schedule of expenditures of federal awards. Without the assistance of the audit firm, it is unlikely that the City would be able to prepare financial statements in accordance with generally accepted accounting principles.

Common attributes of a properly designed system of internal control over financial reporting include:

- > Adequate staffing to prepare financial reports at the end of the year.
- > Training to ensure staff is knowledgeable to perform all financial reporting functions.
- > Identification and correction of material misstatements during the normal course of duties.
- > Preparation of complete and accurate financial statements including notes to the financial statements.
- > Preparation of complete and accurate schedule of expenditures of federal awards.
- > Review of financial reports by an individual who is not the preparer for completeness and accuracy.

While this is defined as a material weakness by accounting standards, it may not be practical or cost beneficial for the City to mitigate this weakness. New accounting literature continues to be added at an astonishing pace and comes from a variety of sources. Employing an individual who remains current on the ever changing accounting and reporting standards can add significant financial cost to your internal control process. As such, the City may choose to accept this risk as most municipalities in this state have done.

During the course of the audit, we made certain adjustments to the City's financial information to properly present the City's financial information. In our opinion, had these adjustments not been made, the financial results of certain funds within the City's financial statements would have been materially misstated. These entries have been brought to the attention of management.

Management Response: Current staffing levels are not adequate to prepare financial reports at the end of each year. However, additional training for accounting staff would be beneficial, and we will incorporate additional review to catch misstatements.

Additional funds will be allocated for training in the FY16 Finance Department budget by reallocating funds from other line items. The priority will be on additional training specific to government accounting, which is provided by the Government Finance Officers Association. The City will continue to rely on Baker Tilly to prepare the Comprehensive Annual Financial Report because of the significant effort involved in that work. It may be appropriate to review that decision in the future, when a new financial system has been implemented and processes have been streamlined.

RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

As noted above, the City does not have a function system of controls over external financial reporting. The absence of this control resulted in errors not being detected in the June 30, 2013 financial statements which resulted in a restatement of certain amounts previously reported as follows:

- > The City recognizes revenue in the entity-wide financial statements when revenue is earned. The City considers the first installment of the annual property tax levy that is adopted during the fiscal year to be utilized for current year operations and the second installment of the levy is to be utilized in the subsequent fiscal year. Therefore, the first installment of the levy (roughly 60% of the levy) is considered to be earned in the fiscal year it is adopted and the second installment is deferred for use in the subsequent fiscal year. In the prior year, the City recognized both the first and second installment of the 2012 levy and did not defer the second installment of the 2012 levy on the entity-wide financial statements. As a result, governmental activities net position was overstated as of June 30, 2013. Beginning net position of governmental activities has been restated (decreased by \$2,766,195) and properly reflected in accordance with the City's revenue recognition policy for the June 30, 2014 financial statements.
- > In the prior fiscal year, the City reported a receivable in the Police Pension Fund and the Firefighters' Pension Fund for the City's contribution of the pension portion of the second installment of the 2012 property tax levy. However, contributions were not due to the pension funds until such time as the taxes were collected by the City. As the City made no collections on the second installment of the 2012 levy until fiscal year 2014, no amount was due to the pension funds. As a result, beginning net position, property tax receivable, and contribution revenue of the Police Pension Fund and Firefighters' Pension Fund have been restated to reflect the appropriate accounting treatment of employer contributions to the pensions. Additionally, the pension portion of the second installment of the 2012 levy should have been accrued as a receivable and deferred inflow of resources in the General Fund as the taxes are a revenue source of the City. Beginning fund balance of the General Fund (increased by \$500,364), beginning net position of governmental activities in the entity-wide financial statements (increased by \$500,364), and beginning net position of the Police Pension Fund (decreased \$1,134,322) and Firefighters' Pension Fund (decreased by \$778,405) were restated to properly present pension property tax accruals.
- > GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, was effective as of July 1, 2012 (applicable for the fiscal year ending June 30, 2013). This standard changed the criteria for the presentation of component units. This standard was not implemented as required for the year ending June 30, 2013. Upon implementation of the standard in fiscal year 2014, the Urbana Free Library is required to be presented as a discretely presented component unit of the City. In prior years, the Library was presented as a governmental fund and included in governmental activities on the government-wide financial statements. To properly implement GASB Statement No. 61, beginning net position of governmental activities (decreased by \$11,122,835) and the discretely presented component unit (increased by \$11,151,926) as presented in the entity-wide financial statements have been restated and the Library is no longer presented in the governmental fund financial statements (decreasing total governmental funds beginning fund balance by \$2,126,708).

RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS (cont.)

- > In the prior fiscal year, the City reported liabilities in the General Fund and Tax Increment Financing District 3 Fund for property taxes held in "escrow". This liability related to ongoing litigation and potential future litigation for property tax appeals by hospitals located in the City. A liability must be both measurable and probable to be recorded. It was determined that the liabilities previously recorded were not considered probable in the current or prior year. Additionally, a portion of the prior year liability related to threats of litigation rather than any formal legal action. Lastly, property tax objections are not commonly accrued as liabilities as the outcomes are difficult to determine in advance. As a result, beginning fund balances of the General Fund (increased by \$3,596,742) and Tax Increment Financing District 3 Fund (increased by \$11,371,070) in the governmental fund financial statements and beginning net position of governmental activities (increased by \$14,967,812) in the entity-wide financial statements were restated.
- > In the prior fiscal year, a portion of compensated absences recorded to governmental activities in the entity-wide financial statements related to contributions of unused sick time to employee retirement health savings accounts. Per the City's compensated absences policy, employees have the option to elect to contribute 20% of their annual allotment of sick time to a retirement health savings account. However, this contribution is only be made at the beginning of the fiscal year and applies to the allotment of current year sick time. For example, contributions made in July 2013 related to sick time provided to employees for use in fiscal year 2014. As the contributions were made for the current year sick time and not for sick time earned through past service, the City satisfied its obligation to employees for this election. As such, the City should not have recorded a liability on the entity-wide financial statements for this benefit. Beginning net position has been restated in governmental activities (increased by \$438,357) on the entity-wide financial statements to properly reflect the City's compensated absences policy.

Management Response: Numerous errors were identified and corrected during the course of the audit. Many of these errors were undetected in previous audits, which may have led staff to believe that these items were being handled appropriately. Staff now has a clear understanding of how to properly handle these situations.

In the future, staff will consult with Baker Tilly about the handling of any unusual transactions or situations, if there is any question about how to properly record those accounting transactions.

The City will continue to conduct a separate audit of Police and Fire Pension funds because it would not be prudent to accept the report provided by the auditor engaged by the pension funds when we know that receivables are not being reported consistent with current accounting standards.

SEGREGATION OF DUTIES - PAYROLL

A cornerstone of effective internal control is the existence of policies to support segregation of duties; this involves separation of the initiation, execution, approval and recording responsibilities for transactions. We noted that there are several deficiencies related to proper segregation of duties around the payroll process. These include:

- > The same individual is responsible for changing pay rates and benefits, updating time records for hourly employees, processing payroll, and printing, signing and distributing checks. This presents a segregation of duties concern as one individual has significant control over the entire payroll cycle. In an ideal control environment, the duties of entering employee information and time reporting would be separate from the person responsible for processing payroll. These employees would also not have access to print, sign, or distribute payroll checks. We recommend segregating these responsibilities among multiple employees and limit access within the system such that segregated responsibilities could not be circumvented.

- > We noted there was no review of payroll after it has been processed. Each payroll run should be reviewed by someone not involved in the payroll preparation process. We recommend that the review of payroll be completed before distribution of checks, focus on rate changes and new employees, and compare to budget expectations. Evidence of the review should be documented through signature or initials.

The absence of these controls could result in errors to financial data or could allow the misappropriation of City assets to be concealed.

Management Response: Payroll will be reviewed by the Deputy Comptroller before checks are issued. This will include a review of all exceptions to budget and changes to pay rates. Finance staff will work with IT staff to develop a report that incorporates all relevant review items into one report to make this review less cumbersome.

Finance staff will review work assignments in accounting and will determine whether printing, signing, and distributing payroll checks can be assigned to another employee. Staff will also review security settings in the financial system and make changes to limit access to specific functions, consistent with appropriate segregation of duties.

REVIEW PROCEDURES – BANK RECONCILIATION AND JOURNAL ENTRIES

An effective internal control system should include robust review procedures and segregation of duties throughout significant transaction cycles, including month-end close processes. In particular, controls around journal entries and monthly bank reconciliations are vital to the integrity of a strong control environment. We've noted the following deficiencies in the month-end close processes.

- > We noted no review procedures around bank reconciliations. We recommend that all bank reconciliations, having been prepared by the City's accounting department, be reviewed by management. These reviews should be completed in a timely manner and documented through written signature or initials of the reviewer.
- > We noted that multiple employees can prepare and post journal entries into the financial accounting system. The system does not require secondary review prior to posting to the system. We also noted that journal entries are not consistently reviewed and/or documented before or after posting to the system. We recommend that access to post journal entries be restricted to necessary employees only. If secondary review requirements cannot be implemented within the City's financial accounting software, we recommend that management (or another appropriate individual without access to post entries) review all manual journal entries before they are entered into the system. An additional review of journal entries after posting should be completed on a monthly basis. These reviews should be documented through written signature or initials of the reviewer.

The deficiencies noted above present a significant risk that inappropriate activity may take place and be hidden through malfeasant journal entries or inaccurate bank reconciliations. By implementing the recommendations above, the City would greatly reduce the risk of fraud or error going unnoticed by management.

Management Response: Bank reconciliations are currently prepared by the Financial Analyst and reviewed by the Deputy Comptroller.

Staff will review procedures for posting journal entries in conjunction with a review of work assignments for accounting staff. Staff will also review security settings in the financial system. Secondary review of journal entries is not a feature of the current financial system. The Finance Director will review a printed report of all journal entries monthly, and the Finance Director will not have the ability to make or post journal entries.

SEGREGATION OF DUTIES – CASH DISBURSEMENTS

A cornerstone of effective internal control is the existence of policies to support segregation of duties; this involves separation of the initiation, execution, approval and recording responsibilities for transactions. We noted that there are several deficiencies related to proper segregation of duties around the cash disbursements process. These include:

- > The same individual is responsible for processing purchase orders, matching purchase orders to invoices, printing checks, stamping checks with signatures, and preparing the check mailing. This presents a segregation of duties concern as one individual has significant control over multiple stages of the cash disbursements cycle. In an ideal control environment, the person processing purchase orders and agreeing purchase orders to invoices should not have access to print, sign, or distribute checks. We recommend segregating these responsibilities among multiple employees and limit access within the system such that the segregation of responsibilities could not be circumvented.
- > We noted there was no periodic review of cash disbursement listings by management or the City Council. Effective internal controls over cash disbursements should include review procedures both before and after processing of invoices. We noted that purchase orders/invoices are formally reviewed prior to checks being generated by management. However, we recommend that the Council formally review cash disbursement listings, documented through inclusion in consent agendas.

The absence of these controls could result in errors to financial data or could allow the misappropriation of City assets to be concealed. We did note that the risks associated with these deficiencies were mitigated by compensating controls. Specifically, we noted that all purchase orders and invoices are required to be approved within the financial accounting system before checks can be generated. We noted that any effort to generate checks without approval in the system would generate an error report and checks would not be created. Placing reliance on this system control greatly mitigates the risk of material misstatement and misappropriation of City assets; however, it does not completely eliminate the risks associated with the deficiencies identified above. As such, we are still required to report a significant deficiency on this matter.

Management Response: All payment requests are reviewed by the Finance Director before payments are processed. Payments cannot be processed until the Finance Director has given electronic approval.

Staff will develop and provide to the City Council a monthly report of cash disbursements.

As part of review of work assignments for accounting staff, staff will consider whether printing, signing, and distributing checks can be assigned to another employee. Staff will also review security settings in the financial system and make changes to limit access to specific functions, consistent with appropriate segregation of duties.

INFORMATION TECHNOLOGY CONTROL ENVIRONMENT

An effective internal control system should include controls over the City's information technology. These controls would provide the appropriate security for the City's financial information to prevent unauthorized access or data loss. As the City did not have sufficient controls in place over information technology, we are required to report this significant deficiency. Controls over information technology should include the following:

- > A formal change management policy covering procedures around program updates, system changes, and ongoing maintenance. Additionally, changes should be authorized, documented, and tested before being placed into operation.
- > Password policies should enforce levels of complexity, requiring a combination of alphanumeric and special characters.
- > Review of access to the financial accounting systems completed at least once a year by management to ensure that user access is appropriate for each individual's job responsibilities. Documentation of these periodic reviews should be retained.
- > Restorations of backups on a proactive, periodic basis to ensure effectiveness of existing procedures.
- > A formal listing of employees with physical access to servers reviewed on a periodic basis. Changes to authorized server access should be documented and formalized.

In addition to the weaknesses in the City's information technology controls noted above, the City relies upon the expertise of a single employee to maintain the custom-built general ledger software. This individual has unlimited access to the system, including the ability to alter source coding and financial databases. With no other individuals at the City possessing the skills to maintain the general ledger system, the City would have no general ledger support if the individual were to cease employment. Such reliance on one individual to maintain the City's financial data presents a significant risk to the City's ability to maintain accurate and timely financial records. If possible, multiple individuals should be trained to maintain the general ledger software in case of emergency. We also recommend the ability to alter programming code and financial databases be completely restricted or heavily monitored.

Management Response: IT staff will review and consider a policy on change management. However, the benefits are reduced by the lack of documentation of the status quo. Ultimately, this concern may be best resolved by using a standardized financial management system, in which changes are controlled by an outside vendor.

IT staff plans to implement complex password rules for the financial system and other applications on the Power7 computer.

IT staff has produced a list of access rights on financial and payroll systems. The Finance Director and IT Manager will review this list and make appropriate changes.

IT staff maintains a list of employees with physical access to the servers.

OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - > Identify types of potential misstatements.
 - > Consider factors that affect the risks of material misstatement.
 - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.
- d. We address the significant risks of material noncompliance, whether due to fraud or error, through our detailed audit procedures.

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

- e. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material noncompliance related to the federal and state awards whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of the federal awards and to determine whether they have been implemented. We will use such knowledge to:
- > Identify types of potential noncompliance.
 - > Consider factors that affect the risks of material noncompliance.
 - > Design tests of controls, when applicable, and other audit procedures.

Our audit will be performed in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards* and OMB Circular A-133, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

- f. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for reporting material noncompliance while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the entity's federal awards. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material noncompliance, whether caused by error or fraud, is detected.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the City Council has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements or the federal awards?

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

Also, is there anything that we need to know about the attitudes, awareness, and actions of the City concerning:

- a. The City's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of May or June and sometimes early July. Our final financial fieldwork, including the completion of single audit fieldwork, is scheduled during the fall to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 8-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS
AND INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT
MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES**

VENDOR MAINTENANCE POLICY

Review and maintenance of allowable vendors within the financial accounting software is an important control within the cash disbursement process. Restrictions on payments only approved vendors can significantly mitigate the risk of misappropriation of City assets. We noted that W-9 forms are obtained and reviewed for new vendors before payments are issued. However, we noted that this review is not formalized or documented and the ability to enter new vendors into the general ledger system is not restricted to only appropriate personnel. Additionally, we noted that the City does not periodically review vendors in the financial accounting system to ensure that only active, approved vendors can be paid. We recommend that the City implement a formal new vendor review and approval process, which should include restrictions on access to enter new vendors into the financial accounting system. We also recommend that the City implement a formalized annual review of vendors in the financial accounting system, purging vendors that are no longer active or allowable. These reviews should be documented and evidence maintained for future reference.

Management Response: Staff will review work assignments to determine whether vendor maintenance can be handled by an employee that is not responsible for accounts payable.

Currently, vendors that have not been used in over one year are not rolled forward as active vendors when the vendor list is rolled forward on an annual basis. Staff will review and implement changes to the vendor review and approval process.

Control deficiencies will be addressed after material weaknesses and significant deficiencies listed above have been addressed.

REVIEW PROCEDURES – MONTHLY FINANCIAL REPORTING

Periodic reviews of financial information and budgetary performance by management and the City Council are important elements of internal control. Reviewing monthly financial statements, including a comparison of actual performance to budget, aids management and the Council in their efforts to effectively manage the City's fiscal position. We noted that monthly budgetary reports are made available on the City's website for the benefit of the City Council, department heads, and local residents. However, there is no formal review procedure in place or evidence that reviews have taken place. We recommend that formal reviews of monthly budgetary performance reports be completed by management and the Council. Management review should be documented through signature or initials and Council review should be evidenced through inclusion in consent agendas.

Management Response: Staff will develop a format and implement regular financial reporting for the City Council.

Control deficiencies will be addressed after material weaknesses and significant deficiencies listed above have been addressed.

CAPITALIZATION POLICY

During the course of the audit, we noted that the City's capitalization policy has not been consistently applied. The City's capitalization policy requires assets to be capitalized if they have an individual cost of at least \$5,000 and an estimated useful life in excess of 2 years. We noted both in current year capital additions and in previously capitalized assets, that the City has capitalized assets with individual costs less than \$5,000. We recommend that the City ensure that all capital additions meet the requirements set forth in the formal capitalization policy.

Management Response: Staff will review the current capitalization policy, develop a formal City-wide policy on capital assets, and implement that policy.

Control deficiencies will be addressed after material weaknesses and significant deficiencies listed above have been addressed.

OUTSTANDING CHECKS

During the course of the audit, we noted that the City was carrying numerous "stale" and several large outstanding checks on its bank reconciliations. We recommend that the City review its outstanding check listing on a periodic basis and investigate the status of checks older than one year.

Management Response: Staff will develop and implement a procedure for reviewing outstanding checks and following up on status of checks older than one year.

Control deficiencies will be addressed after material weaknesses and significant deficiencies listed above have been addressed.

PROFESSIONAL STANDARDS UPDATE

Task or Event	Effective Date	Impact
GASB 68 – Accounting and Financial Reporting for Pensions and GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68	June 30, 2015	Your entity participates in the Illinois Municipal Retirement Fund (IMRF), the City of Urbana Police Pension, and the City of Urbana Firefighters' Pension. IMRF is an agent, multiple-employer, defined-benefit, public employee retirement system. IMRF has represented that it will provide the information necessary for the employers to implement GASB 68. The City of Urbana Police Pension and the City of Urbana Firefighters' Pension are single-employer, defined-benefit plans. The City's share of the net pension liability / asset will be reported in its full-accrual funds and the government-wide financial statements. The notes to the financial statements will have significant changes.
GASB No. 69 – Government Combinations and Disposals of Government Operations	June 30, 2015	This standard provides the guidance necessary for government combinations and disposals of government operations.
Current Agenda Project: Fair Value Measurement	Proposed effective date – June 30, 2016 (Exposure Draft issued in May 2014)	The objective of this project is to review and consider alternatives for the further development of the definition of fair value, the methods used to measure fair value and the applicability of fair value guidance to investments and other items currently reported at fair value, and the potential disclosures about fair value.
Current Agenda Project: Fiduciary Responsibilities	The GASB Board is expected to issue an Exposure Draft in October 2015	This project is to assess what additional guidance should be developed regarding the application of the fiduciary responsibility criteria in deciding whether and how governments should report fiduciary activities in their financial reports.
Current Agenda Project: Leases	The GASB Board is scheduled to issue an Exposure Draft in January 2016	The objective of this project is to re-examine issues associated with lease accounting, consider improvements to existing guidance, and provide a basis for the GASB Board to consider whether the current guidance is appropriate based on the definitions of assets and liabilities.

PROFESSIONAL STANDARDS UPDATE (cont.)

Task or Event	Effective Date	Impact
Current Agenda Project: Other Postemployment Benefits Accounting and Financial Reporting	Proposed effective date for plans – December 31, 2016; Proposed effective date for employers – December 31, 2017; Proposed effective dates for pensions not administered by a trust – June 30, 2017 (Exposure Drafts issued in May 2014)	The Board will consider the possibility of modifications to the existing standards of accounting and financial reporting for other postemployment benefits (OPEB) by state and local governmental employers and by the trustees, administrators, or sponsors of OPEB plans. GASB has stated that their objectives are to increase financial reporting transparency and to improve the usefulness of information to the various users of the financial statements.
Current Agenda Project: Blending Requirements for Certain Business-Type Activities	The GASB Board is expected to issue an Exposure Draft in June 2015	The objective of this project would be improve financial reporting by addressing issues related to inconsistent presentation of component units in financial reporting of governments engaged only in business-type activities.
Current Agenda Project: External Investment Pools	The GASB Board is expected to issue an Exposure Draft in June 2015	The objective of this project is to improve financial reporting by external investment pools and pool participants that report positions in investment pools.
Current Agenda Project: Irrevocable Charitable Trusts	The GASB Board is expected to issue an Exposure Draft in May 2015	The objective of this project is to determine what accounting and financial reporting guidance, if any, should be established for irrevocable charitable trusts held for the benefit of governmental entities.
Current Agenda Project: Tax abatement Disclosures	Proposed effective date – December 31, 2016 (Exposure Draft issued in October 2014)	The objective of this project is to determine what disclosure guidance for governments that have granted tax abatements, if any, are essential to financial statement users.

The GASB has two other projects which are on hold. They include the conceptual framework for recognition and economic condition reporting – financial projections.

The GASB revisits GASB standards ten (10) years after issuance. The GASB is currently revisiting GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, as well as reporting model-related pronouncements including Statements Nos. 37, 41, and No. 46 and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The GASB has indicated that they are revisiting the following major provisions of these standards: management’s discussion and analysis, government-wide financial statements, fund financial statements, capital asset reporting, budgetary comparisons, special purpose government reporting, and related notes to financial statements. In addition, the GASB is revisiting debt extinguishments, which includes a reexamination of GASB Statement Nos. 7, 23, and 62. We will share updates with you as they become available.

Full lists of projects, as well as many resources, are available on GASB’s website which is located at www.gasb.org.

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE



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To the Honorable Mayor and Members of the City Council
 City of Urbana, Illinois

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of City of Urbana for the year ended June 30, 2014, and have issued our report thereon dated [REDACTED]. This letter presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS, AND OMB CIRCULAR A-133

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the City Council of their responsibilities.

We considered the City of Urbana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Urbana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-, we examined, on a test basis, evidence about the City of Urbana's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion the City of Urbana's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Urbana's compliance with those requirements.

We have issued a separate document which contains the results of our audit procedures to comply with OMB Circular A-133.

Honorable Mayor and Members of the City Council
Of the City of Urbana, Illinois

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated June 30, 2014.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Urbana are described in Note I to the financial statements. As described in Note I to the financial statements, the City of Urbana changed accounting policies related to reporting certain items previously reported as assets and liabilities by adopting Statement No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. As described in Note III. H, net position and fund balances as of June 30, 2013 were restated to correct material misstatements, including the change in presentation of the Urbana Free Library from a special revenue fund to a discretely presented component unit.

We noted no transactions entered into by the City of Urbana during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Depreciation expense
- Claims payable
- Net pension asset
- Other post-employment benefit obligation
- Landfill post-closure monitoring liability

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear.

Honorable Mayor and Members of the City Council
Of the City of Urbana, Illinois

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

During the audit, we identified material adjustments to the City's financial information which were required to properly present the City's financial results. The adjustments included the following:

- > Adjustments to properly accrue amounts due from the State of Illinois
- > Correction of properly tax accruals
- > Reclassifications to properly present property tax contributions to the pensions
- > Adjustment to properly present amounts owed to the pension funds and the Library
- > Adjustment to record retainage payable for ongoing construction projects
- > Reversal of current year accruals for improper property tax escrow liabilities
- > Correction of close-out entries for the Tax Increment Financing District 3 Fund
- > Adjustments to record excess TIF funds owed to other governments

Other adjustments identified during the audit were deemed, individually and in aggregate, to be immaterial to the financial statements, but were included in the financial statements. These entries have been furnished to management.

During the current year audit, we identified certain items that had previously been incorrectly reported in the financial statements for the year ended June 30, 2013. These required restatements of the City's June 30, 2013 net position and fund balances. See Note III H. to the financial statements for further information.

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

A summary of uncorrected financial statement misstatements follows this required communication. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Honorable Mayor and Members of the City Council
Of the City of Urbana, Illinois

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the City of Urbana that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the City of Urbana for the year ended June 30, 2014, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the City of Urbana in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the City of Urbana other than audit services provided in connection with the audit of the current year's financial statements and non-audit services which in our judgment do not impair our independence.

- > Financial statement preparation
- > Adjusting journal entries
- > SEFA preparation
- > Compiled regulatory reports
- > Trial balance formatting from general ledger data

None of these non-audit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Urbana's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Honorable Mayor and Members of the City Council
Of the City of Urbana, Illinois

OTHER MATTERS

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Oak Brook, Illinois
_____, 2015

SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

City of Urbana
SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

June 30, 2014

	Financial Statements Effect - Debit (Credit) to Financial Statement Total									
	Current Assets	Noncurrent Assets	Total Assets/ Deferred Outflows	Current Liabilities	Noncurrent Liabilities	Total Liabilities/ Deferred Inflows	Total Net Position/ Fund Balances	Total Revenues	Total Expenses/ Expenditures	Change in Net Position/ Fund Balances
Governmental Activities	-	-	147,353	-	-	(103,160)	(44,193)	-	-	-
General Fund	-	-	32,349	-	-	-	-	(43,951)	43,951	-
Remaining Funds	-	-	-	-	-	-	-	(103,118)	-	(103,118)

MANAGEMENT REPRESENTATIONS