



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OF URBANA, ILLINOIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**CITY OF URBANA  
URBANA, ILLINOIS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

As of and for the Year Ended  
June 30, 2017

Officials Issuing Report  
Elizabeth Hannan, Finance Director  
Sophie Pham, City Accountant

# CITY OF URBANA

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**CITY OF URBANA, ILLINOIS  
FINANCE DEPARTMENT**

December 20, 2017

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, based upon a comprehensive framework of internal control that has been established for this purpose, rests with management of the City of Urbana, and in particular, the City Finance Director. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City of Urbana. All disclosures necessary to enable the reader to gain an understanding of the City of Urbana's financial condition and activities have been included.

The City of Urbana financial statements have been audited by Baker Tilly Virchow Krause, LLP, licensed certified public accountants. The independent audit provides reasonable assurance that the statements are free of material misstatements. This audit involved examining selected records to support amounts and disclosures in the financial statements, assessing the accounting principles applied and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, Baker Tilly Virchow Krause, LLP, concluded that there was a reasonable basis for rendering an unqualified opinion that the statements are fairly presented in accordance with generally accepted accounting standards. Their letter is located at the front of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements, in the form of Management's Discussion and Analysis (MD&A), which immediately follows the

independent auditors' report. This MD&A complements this letter of transmittal and should be read in conjunction with it. As a recipient of various federal and state financial assistance programs, the City of Urbana is also required under the Federal Single Audit Act, to have an annual audit of certain major federal grant programs performed. This audit contains information concerning whether grant activity is presented fairly in the general purpose financial statements, whether internal control is sufficient to provide reasonable assurance that the funds are managed properly, and whether material grant compliance requirements have been met. The auditors' report relative to the Federal Single Audit Act is reported separately.

## **Profile of the City of Urbana**

The City of Urbana, chartered in 1855, is a home-rule municipality located in Champaign County, which is situated in east central Illinois, approximately 135 miles south of Chicago and 45 miles west of the Indiana border. Twelve square miles are within the City boundaries. The University of Illinois is located in both Urbana and Urbana's twin city of Champaign. Urbana's population is estimated at 42,014 for 2016 and tends to be younger and more diverse than the population of the State as a whole. Residents are also highly educated, with nearly 54% holding a bachelor's degree or higher. Nearly 60% of housing units are in multi-unit structures, which is much higher than for the State as a whole. All of these factors contribute to making Urbana a unique and vibrant community.

The City operates under the mayor/aldermanic form of government. The legislative authority of the City is vested in a seven-member council, each elected from their respective districts. The Mayor is elected at large. Each member and the Mayor serve a four-year term. The Mayor recommends and the City Council approves appointment of department and division heads.

The City of Urbana provides a full range of municipal services, as outlined below:

|                        |   |
|------------------------|---|
| Police:                | Patrol, Traffic Control, and Criminal Investigation   |
| Fire:                  | Fire Suppression, Fire Prevention, and Emergency Medical Assistance   |
| Public Works:          | Street Maintenance and Reconstruction, Traffic Maintenance, Street Lighting Maintenance and Reconstruction, Sanitary and Storm Sewer Maintenance and Reconstruction, Arbor Maintenance and Improvement, Parking (on enterprise basis) |
| Community Development: | Planning and Zoning Enforcement, Building Inspection, Economic Development, and Housing Improvement   |
| Other Services:        | Library Services, Human Relations   |



This report includes all funds of the City of Urbana. The Urbana Free Library and the Fire and Police Pension funds are included. There are no other entities in which the primary government is considered financially accountable or other organizations that, if excluded, would cause these statements to be misleading or incomplete. The City also participates in a joint venture with the City of Champaign, the Champaign-Urbana Solid Waste Disposal System (CUSWDS). This joint venture is responsible for overseeing closeout and long-term maintenance of the old regional landfill site. Urbana's share of the joint venture (38.2%) is shown as an asset called Investment in Joint Ventures. It is contemplated that the City's investment will remain at the same level. This joint venture does not meet the criteria for inclusion in the City's financial report. However, financial information for the joint venture is included in the notes to the financial statements.

## **Financial Planning**

Finance staff develops a financial forecast annually, which is used for developing a strategy for the budget process. This informs decisions such as requiring departments to make budget reductions, or considering new or enhanced programs or services. The City Council has also adopted a set of financial policies to guide in preparation of the annual budget.

The annual budget serves as the foundation for the City's financial planning and control. All departments submit budget requests to the Finance Department, which are then reviewed by Finance staff and the Mayor. The Mayor makes final decisions on the proposed budget, which is then presented to the City Council for review. The City Council reviews the proposed budget in several open meetings, holds a public hearing and adopts the budget before the beginning of the new fiscal year. The budget is prepared by fund, department, activity, and expenditure classification (e.g., supplies, services). The level of expenditures cannot exceed budgeted amounts within certain basic expenditure categories within an individual department for the General Fund or for the fund in whole for non-general funds. All funds have balanced annual budgets, prepared on a cash basis, and approved by the City Council, except for pension trust funds. Pension trust funds are managed by appointed Trustees and budgetary control is maintained through an annual actuarial review.

The Finance Director is authorized to transfer amounts within basic expenditure categories of personnel, supplies, services, and capital with the approval of the Mayor. This budgetary control is maintained through regular financial reports. Budget to actual comparisons are provided in this report for each individual governmental fund for which a budget has been adopted.

## **Local Economy**

The information presented in the financial statements is, perhaps best understood in the context of the specific environment in which the City of Urbana operates.

The presence of the University of Illinois has a significant, stabilizing influence on the local economy. In addition to bringing 44,800 students from every state as well as more than 100 foreign countries to the Urbana-Champaign area, the University employs more than 10,000, including many residents of the City of Urbana.

The University of Illinois “Flash Index,” which is the most current measure of the State’s economic performance, is at 104.2 for November 2017. An index over 100 indicates growth. In addition, the local unemployment rate was at 3.8% in September. Both of these are positive indicators for the local economy.

State and local sales tax revenue make up nearly one-third of General Fund revenues. Sales tax performance was relatively weak in FY2017, with State and Home Rule sales tax decreasing by about 2.85% on an annualized basis. Use tax, which includes sales from large online retailers increased by about 6.8% on an annualized basis, which may reflect increasing online sales. Reliance on sales tax as a revenue source can be problematic during economic downturns. However, the City’s reserves provide a cushion against these fluctuations.

The City’s taxable assessed value increased by about 4.46% for the 2016 tax levy. That was the first significant growth in assessments since the 2009 tax levy. The City has maintained a relatively stable tax rate for the past few years. City staff anticipates that growth will be about 1.8% for the 2017 tax levy, when assessments are finalized.

## **Major Initiatives**

The City is actively engaged in developing and implementing new strategies to foster economic growth. Significant initiatives for the City in fiscal year 2017 were:

- a) The City’s new Enterprise Zone went into effect in January 2016, and includes a residential program marketed as Think Urbana. To date, Think Urbana, which provides property tax abatements and sales tax exemptions for eligible development, has resulted in 27 projects containing 63 residential units. The Enterprise Zone has also resulted in 15 commercial development projects, which are expected to result in 156 new jobs.
- b) The new Central Redevelopment Area TIF District was created in October 2016 and includes properties previously located in TIF 2 and the now expired TIF 1. The Central TIF will leverage investment at various sites in and near Downtown Urbana.

- c) The City continued to use Tax Increment Financing District funds to incentivize redevelopment in several areas, including Downtown Urbana. The City currently has five active development agreements leveraging over \$4M in private investment in the new Central Redevelopment Area TIF District.
- d) The \$25M Campus Circle development opened with 524 beds and 181 new apartment units. Construction was also completed on the \$10M Next to Campus Apartments, with 84 units.
- e) The Highland Green project, which includes nine new single family and duplex units for veterans and 24 new units of workforce housing was recently completed.
- f) The construction value of building permits issued in FY2017 was \$30M. This will translate into a larger tax base in the future.
- g) As of the date of this letter, work is complete on extending Olympian Drive across the north side of Urbana and Champaign to tie into the existing North Lincoln Avenue. This important project links the north sides of Champaign and Urbana to increase ease of access and encourage industrial development in north Urbana.
- h) Construction is substantially complete on Green Street from Wright to Goodwin, while construction from Goodwin to Lincoln will wrap up soon. This work is part of the MCORE (Multimodal Corridor Enhancement) project. In late 2014, the City of Urbana, along with the City of Champaign, the University of Illinois, and the Champaign-Urbana Mass Transit District were awarded a \$15.7 million federal grant to rebuild infrastructure in the core of the community. The MCORE project will have a transformative impact on the core of our community, including upcoming improvements on Green Street from Lincoln to Race.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Urbana for its CAFR for the fiscal year ended June 30, 2016. To be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR in conformance with GAAP. The report satisfied both GAAP and legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes that the current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine eligibility for another certificate.

I would like to express my appreciation to the staff of the Finance Department for their efficient and dedicated service in helping prepare this report. In particular, I want to thank Sophie Pham, City Accountant for her work. I would also like to commend the Mayor, members of the City Council, all officials, officers and staff throughout the City of Urbana for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



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Elizabeth A. Hannan  
Finance Director

# CITY OF URBANA

## LIST OF PRINCIPAL OFFICIALS

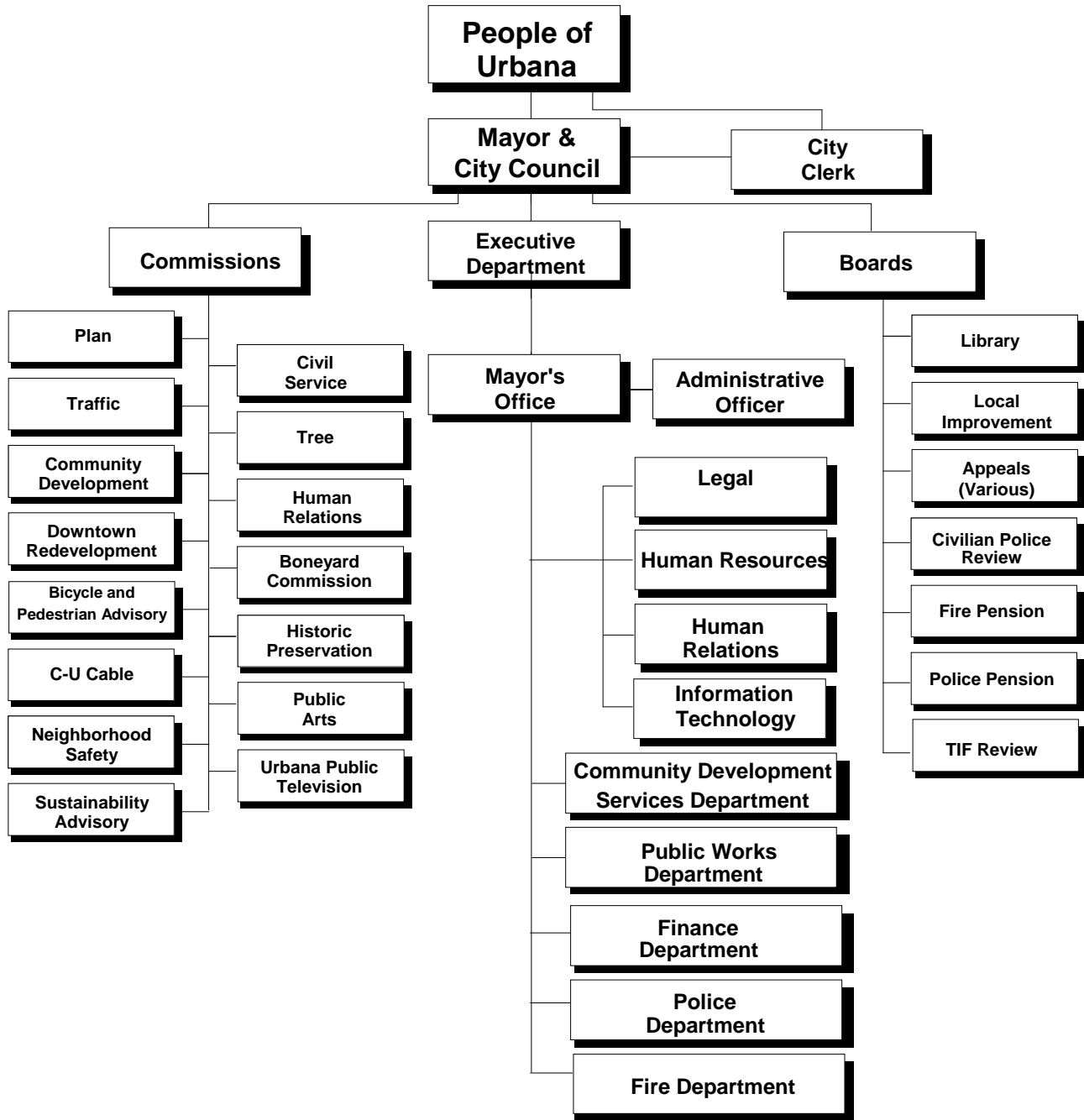
### Elected Officials

|                      |                    |
|----------------------|--------------------|
| Mayor                | Diane Wolfe Marlin |
| Aldersperson, Ward 1 | Maryalice Wu       |
| Aldersperson, Ward 2 | Eric Jakobsson     |
| Aldersperson, Ward 3 | Aaron Ammons       |
| Aldersperson, Ward 4 | Bill Brown         |
| Aldersperson, Ward 5 | Dennis Roberts     |
| Aldersperson, Ward 6 | H. Dean Hazen      |
| Aldersperson, Ward 7 | Jared Miller       |
| City Clerk           | Charles A. Smyth   |

### Appointed Officials

|                       |                   |
|-----------------------|-------------------|
| Finance Director      | Elizabeth Hannan  |
| Police Chief          | Sylvia Morgan     |
| Public Works Director | William Gray      |
| Fire Chief            | Brian Nightlinger |

# ORGANIZATIONAL CHART





**City of Urbana**  
**Organization Chart**  
**Structure And Major Service Functions**



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Urbana  
Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

## INDEPENDENT AUDITORS' REPORT

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

### **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, 2017, 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, the City of Urbana Police Pension Fund, and the City of Urbana Firefighters' Pension Fund 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, 2017 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.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information 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.

#### *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 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 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 and statistical sections 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 them.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 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.

*Baker Tilly Voichow Krause, LLP*

Oak Brook, Illinois  
December 20, 2017

# CITY OF URBANA

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

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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, 2017. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$108.1 million (net position). Of this amount \$3.7 million is unrestricted and may be used to meet the government's ongoing obligation to citizens and creditors.
- In total, net position decreased by \$2.4 million. This represents a 2% decrease from 2016 and occurred because expenses exceeded revenues by nearly \$2.4 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38.8 million, an increase of \$1.2 million in comparison with the prior year. Approximately \$9.7 million is available for spending at the government's discretion (unrestricted fund balance).
- General revenues accounted for \$29.6 million in revenue or 70% of all governmental revenues. Program specific revenues in the form of charges for services and fees and grants accounted for \$12.8 million or 30% of total governmental revenues of \$42.4 million.
- The City had \$44.1 million in expenses related to government activities. However, only \$11.4 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 \$9.7 million, or 33% of the total General Fund expenditures. This includes revenues that were owed to the City, but not yet received as of June 30.
- Long-term liabilities, which include pension obligations, increased by \$3.1 million to \$46.8 million. This is primarily due to increased net pension liabilities in the Police Pension Fund. Police Pension net pension liabilities increased by \$3.7 million due to a difference between projected and actual earnings on pension plan investments (\$2.4 million), among other factors.
- The City has relatively little outstanding debt, with a total of \$6.4 million outstanding as of the end of 2017.

# CITY OF URBANA

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

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### **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
- 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 these 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.

# CITY OF URBANA

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

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### 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.

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 6 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, Vehicle and Equipment Replacement Fund, Tax Increment Financing District 4 Fund, Special Revenue Fund, Capital Improvement and Replacement Fund, and Motor Fuel Tax Fund. 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.

### 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. The internal service fund is also presented separately in the proprietary fund financial statements.

# CITY OF URBANA

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

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### 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.

### *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 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.

**CITY OF URBANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2017  
(Unaudited)

**Government-Wide Financial Analysis**

| <b>Table 1<br/>Condensed Statements of Net Position<br/>(in millions of dollars)</b> |                                    |                 |                                     |               |                 |                 |
|--|------------------------------------|-----------------|-------------------------------------|---------------|-----------------|-----------------|
|  | <u>Governmental<br/>Activities</u> |                 | <u>Business Type<br/>Activities</u> |               | <u>Total</u>    |                 |
|  | 2017                               | 2016            | 2017                                | 2016          | 2017            | 2016            |
| <b>Assets</b>  |                                    |                 |                                     |               |                 |                 |
| Current and other assets   | \$ 46.3                            | \$ 44.9         | \$ 2.3                              | \$ 2.5        | \$ 48.6         | \$ 47.4         |
| Capital assets   | <u>96.7</u>                        | <u>97.6</u>     | <u>6.1</u>                          | <u>5.9</u>    | <u>102.8</u>    | <u>103.5</u>    |
| Total assets   | <u>143.0</u>                       | <u>142.5</u>    | <u>8.4</u>                          | <u>8.4</u>    | <u>151.4</u>    | <u>150.9</u>    |
| <b>Deferred outflows of resources</b>  |                                    |                 |                                     |               |                 |                 |
| Deferred outflows related to pensions  | <u>18.0</u>                        | <u>15.4</u>     | <u>0.1</u>                          | <u>0.1</u>    | <u>18.1</u>     | <u>15.5</u>     |
| Total deferred outflows of resources   | <u>18.0</u>                        | <u>15.4</u>     | <u>0.1</u>                          | <u>0.1</u>    | <u>18.1</u>     | <u>15.5</u>     |
| <b>Liabilities</b>   |                                    |                 |                                     |               |                 |                 |
| Long-term liabilities  | 43.8                               | 43.6            | 0.1                                 | 0.1           | 43.9            | 43.7            |
| Other liabilities  | <u>7.4</u>                         | <u>4.2</u>      | <u>0.4</u>                          | <u>0.3</u>    | <u>7.8</u>      | <u>4.5</u>      |
| Total liabilities  | <u>51.2</u>                        | <u>47.8</u>     | <u>0.5</u>                          | <u>0.4</u>    | <u>51.7</u>     | <u>48.2</u>     |
| <b>Deferred inflows of resources</b>   |                                    |                 |                                     |               |                 |                 |
| Property taxes levied for future periods   | 2.6                                | 2.9             | -                                   | -             | 2.6             | 2.9             |
| Deferred inflows related to pensions   | <u>7.1</u>                         | <u>4.8</u>      | <u>-</u>                            | <u>-</u>      | <u>7.1</u>      | <u>4.8</u>      |
| Total deferred inflows of resources  | <u>9.7</u>                         | <u>7.7</u>      | <u>-</u>                            | <u>-</u>      | <u>9.7</u>      | <u>7.7</u>      |
| <b>Net position</b>  |                                    |                 |                                     |               |                 |                 |
| Net investment in capital assets   | 90.3                               | 90.1            | 6.1                                 | 5.9           | 96.4            | 96.0            |
| Restricted   | 8.0                                | 8.5             | -                                   | -             | 8.0             | 8.5             |
| Unrestricted   | <u>1.8</u>                         | <u>3.8</u>      | <u>1.9</u>                          | <u>2.2</u>    | <u>3.7</u>      | <u>6.0</u>      |
| Total net position   | <u>\$ 100.1</u>                    | <u>\$ 102.4</u> | <u>\$ 8.0</u>                       | <u>\$ 8.1</u> | <u>\$ 108.1</u> | <u>\$ 110.5</u> |

**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.

## CITY OF URBANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2017  
(Unaudited)

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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 \$2.4 million from \$110.5 million to \$108.1 million. The City's total assets/deferred outflows of resources equal \$169.5 million. The City's total liabilities/deferred inflows of resources equal \$61.4 million.

The decrease in net position is primarily driven by the increase in the City's long-term obligations and deferred inflows which was offset by the increase in deferred outflows. Specifically, the changes in the Police and Firefighters' Pensions net pension liabilities, deferred inflows, and deferred outflows resulted in a total of \$2.6 in public safety expenses.

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 \$3.7 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, 2017  
(Unaudited)

| <b>Table 2</b>                            |                     |                 |                      |               |                  |                 |
|---|---------------------|-----------------|----------------------|---------------|------------------|-----------------|
| <b>Condensed Statements of Activities</b> |                     |                 |                      |               |                  |                 |
| <b>(in millions of dollars)</b>           |                     |                 |                      |               |                  |                 |
|   | <u>Governmental</u> |                 | <u>Business Type</u> |               | <u>Total</u>     |                 |
|   | <u>Activities</u>   |                 | <u>Activities</u>    |               | <u>2017 2016</u> |                 |
|   | <u>2017</u>         | <u>2016</u>     | <u>2017</u>          | <u>2016</u>   | <u>2017</u>      | <u>2016</u>     |
| <b>Revenues</b>                           |                     |                 |                      |               |                  |                 |
| <i>Program revenues</i>                   |                     |                 |                      |               |                  |                 |
| Charges for services                      | \$ 8.8              | \$ 8.7          | \$ 1.4               | \$ 1.3        | \$ 10.2          | \$ 10.0         |
| Operating grants and contributions        | 1.3                 | 2.0             | -                    | -             | 1.3              | 2.0             |
| Capital grants and contributions          | 1.3                 | 1.3             | -                    | -             | 1.3              | 1.3             |
| <i>General revenues</i>                   |                     |                 |                      |               |                  |                 |
| Property taxes                            | 6.7                 | 8.8             | -                    | -             | 6.7              | 8.8             |
| Other taxes                               | 12.1                | 12.2            | -                    | -             | 12.1             | 12.2            |
| Intergovernmental                         | 10.6                | 10.8            | -                    | -             | 10.6             | 10.8            |
| Other general revenues                    | <u>0.2</u>          | <u>0.8</u>      | <u>-</u>             | <u>0.1</u>    | <u>0.2</u>       | <u>0.9</u>      |
| Total revenues                            | <u>41.0</u>         | <u>44.6</u>     | <u>1.4</u>           | <u>1.4</u>    | <u>42.4</u>      | <u>46.0</u>     |
| <b>Expenses</b>                           |                     |                 |                      |               |                  |                 |
| General government                        | 5.7                 | 4.9             | -                    | -             | 5.7              | 4.9             |
| Public safety                             | 20.3                | 18.9            | -                    | -             | 20.3             | 18.9            |
| Highways and streets                      | 13.0                | 14.3            | -                    | -             | 13.0             | 14.3            |
| Urban redevelopment and housing           | 5.0                 | 5.7             | -                    | -             | 5.0              | 5.7             |
| 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>44.1</u>         | <u>43.9</u>     | <u>0.7</u>           | <u>0.7</u>    | <u>44.8</u>      | <u>44.6</u>     |
| Transfers                                 | <u>0.8</u>          | <u>0.8</u>      | <u>(0.8)</u>         | <u>(0.8)</u>  | <u>-</u>         | <u>-</u>        |
| Change in net position                    | (2.3)               | 1.5             | (0.1)                | (0.1)         | (2.4)            | 1.4             |
| Net position, beginning of year           | <u>102.4</u>        | <u>100.9</u>    | <u>8.1</u>           | <u>8.2</u>    | <u>110.5</u>     | <u>109.1</u>    |
| Net position, end of year                 | <u>\$ 100.1</u>     | <u>\$ 102.4</u> | <u>\$ 8.0</u>        | <u>\$ 8.1</u> | <u>\$ 108.1</u>  | <u>\$ 110.5</u> |

**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.).

## CITY OF URBANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

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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*

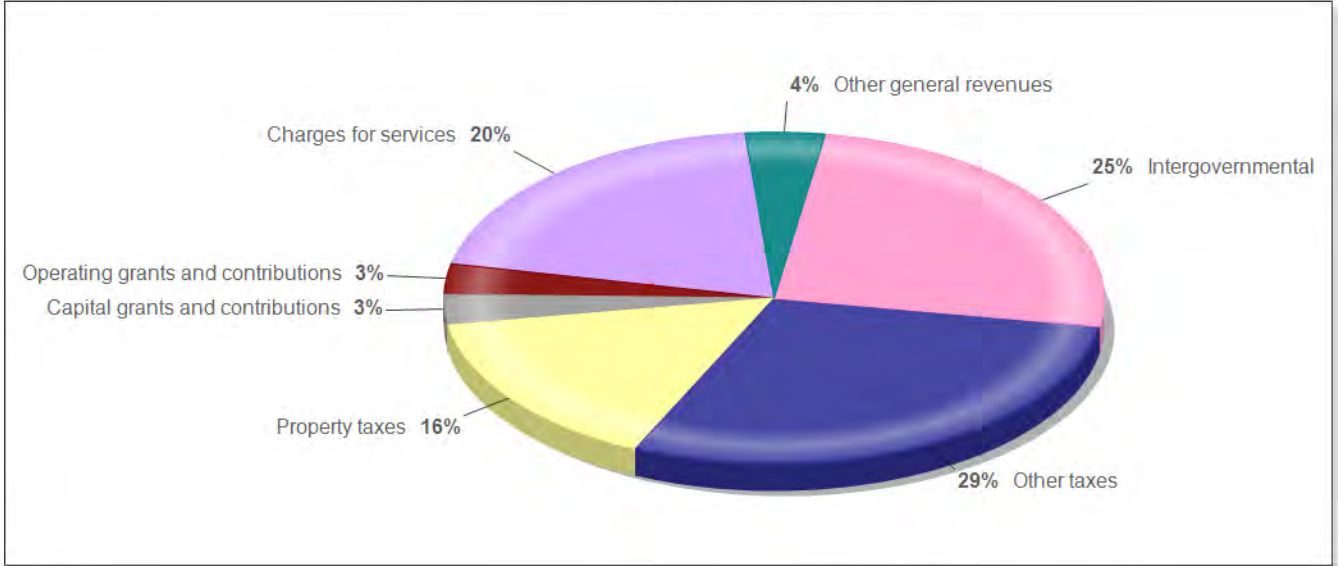
Governmental activities experienced a decrease in revenue of \$3.6 million from \$44.6 million to \$41.0 million. Expenses increased by \$0.2 million to \$44.1 million, which exceeded revenue and resulted in a decrease of \$2.3 million in the City's governmental activities net position.

# CITY OF URBANA

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

### Governmental Activities

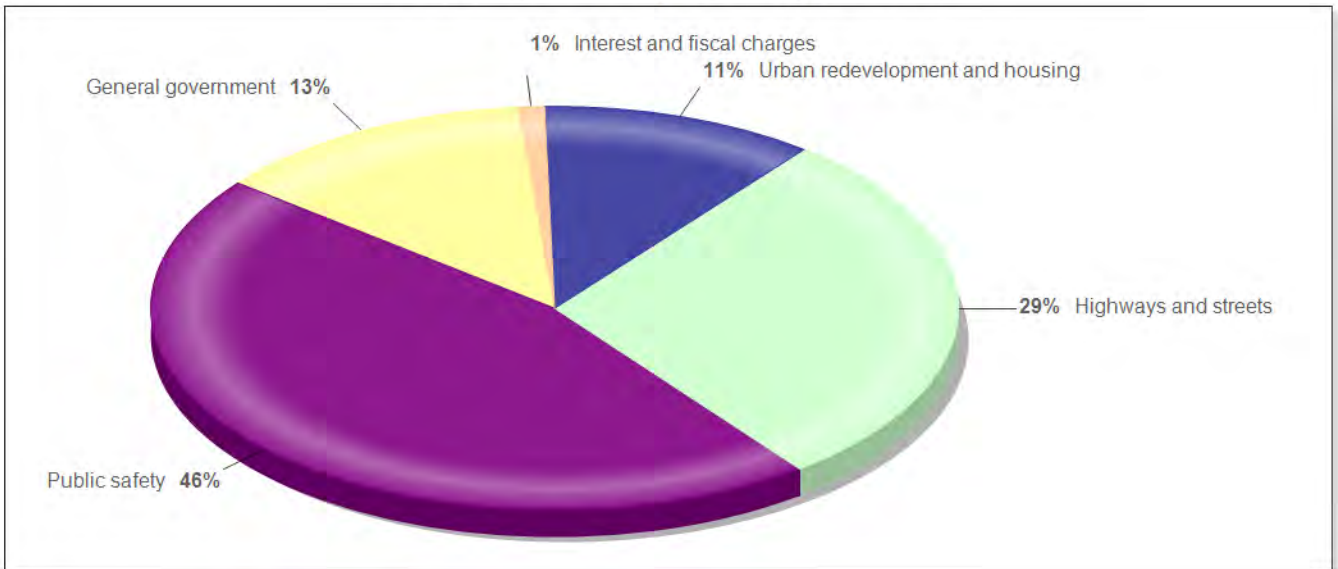
#### Governmental Revenues by Source



### Revenues

Revenues decreased by 8% compared to the previous fiscal year. It was partly because of a one-time property tax distribution in the amount of \$1.5 million in fiscal year 2016. In addition, several large State-shared revenues did not perform well.

#### Governmental Expenses by Function



## CITY OF URBANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

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#### *Expenses*

The City's overall expenses in governmental activities for the current fiscal year increased slightly by \$0.27 million over the previous year. Expenses in public safety activities increased while highway and street activities decreased. The increase of \$1.4 million in public safety expenses is due, in part, to increases in pension and post-retirement benefit obligations. The decrease of \$1.3 million in highways and streets is related to delay in construction projects.

#### **Financial Analysis of the City's Funds**

The fund balance in governmental funds increased slightly from \$37.6 million to \$38.8 million, an increase of \$1.2 million or 3.2%. The increase is largely driven by deferral of purchase of some capital equipment and delay in construction projects.

The General Fund had a decrease of \$5.9 million in fund balance because \$5.2 million related to the property tax dispute with local hospitals was transferred to a reserve fund.

Both the Capital Improvement and Replacement Fund and Motor Fuel Tax fund had an increase in fund balance since several projects were delayed.

#### **General Fund Budgetary Highlights**

General Fund revenues of \$29.7 million exceeded the final budget by \$0.2 million. However, it was only at 97% of the original budget because of the poor performance of major tax revenues such as sales tax and income tax. Expenditures were about \$1.7 million below budget, largely because expenditures in police and public works were significantly below the final budget. The police pension costs were lower than expected. As for public works department, amount budgeted for a new work order system was not expended. In addition, spending on materials and equipment was under the budget.

#### **Capital Assets and Debt Administration**

##### *Capital assets*

By the end of 2017, the City had compiled a total investment of \$169.4 million (\$102.8 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 \$5.4 million. More detailed information about capital assets 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, 2017 (Unaudited)

**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>2017</u>         | <u>2016</u>    | <u>2017</u>          | <u>2016</u>   | <u>2017</u>     | <u>2016</u>     |
| Land                       | \$ 7.9              | \$ 7.6         | \$ 3.8               | \$ 3.8        | \$ 11.7         | \$ 11.4         |
| Construction in progress   | 7.2                 | 6.5            | 0.4                  | 0.4           | 7.6             | 6.9             |
| Buildings and improvements | 5.4                 | 5.4            | 1.8                  | 1.6           | 7.2             | 7.0             |
| Infrastructure             | 72.6                | 74.1           | -                    | -             | 72.6            | 74.1            |
| Equipment                  | 3.6                 | 4.0            | 0.1                  | 0.1           | 3.7             | 4.1             |
| Total                      | <u>\$ 96.7</u>      | <u>\$ 97.6</u> | <u>\$ 6.1</u>        | <u>\$ 5.9</u> | <u>\$ 102.8</u> | <u>\$ 103.5</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 as well as the general obligation bond issuance for the Windsor Road improvement project. Overall, the City's governmental activities report a total debt of \$6.8 million. The City began the fiscal year with a balance of \$8.0 million in debt, reduced debt by \$1.2 million, leaving a June 30, 2017 debt balance of \$6.8 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.

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

|                          | <u>Governmental</u> |               | <u>Business Type</u> |               | <u>Total</u>  |               |
|--------------------------|---------------------|---------------|----------------------|---------------|---------------|---------------|
|                          | <u>Activities</u>   |               | <u>Activities</u>    |               |               |               |
|                          | <u>2017</u>         | <u>2016</u>   | <u>2017</u>          | <u>2016</u>   | <u>2017</u>   | <u>2016</u>   |
| General obligation bonds | \$ 6.5              | \$ 7.6        | \$ -                 | \$ -          | \$ 6.5        | \$ 7.6        |
| Revenue note             | -                   | -             | -                    | 0.1           | -             | 0.1           |
| Loans payable            | 0.3                 | 0.3           | -                    | -             | 0.3           | 0.3           |
| Total                    | <u>\$ 6.8</u>       | <u>\$ 7.9</u> | <u>\$ -</u>          | <u>\$ 0.1</u> | <u>\$ 6.8</u> | <u>\$ 8.0</u> |

# CITY OF URBANA

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2017 (Unaudited)

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### **Factors Bearing on the City's Future**

The City continues to work to respond constructively to financial challenges imposed by the State. Those challenges include both declining State-shared revenues and a loss in property tax revenue due to the 2012 State law that grants property exemptions to local hospitals. Significant long-term funding concerns include funding for Police and Fire pensions, less than adequate investment in infrastructure maintenance, and a structural deficit in the City's General Operating Fund.

The State's ongoing budget crisis has directly affected the City with imposition of a 2% "collection fee" on Home Rule sales tax revenue and changes in income tax distributions. While a one-time acceleration of income tax payments is designed to offset the 10% reduction in income tax distributions in fiscal year 2018, there is concern that the reduction may continue in future years, without any offset. In addition, there have been repeated attempts to impose property tax caps or increase exemptions for Home Rule municipalities.

At the same time, underlying growth in retail sales is very weak. State and local sales tax decreased by a combined total of \$244,261 from last year's financial report. This is likely a symptom of a trend towards increasing online sales.

While the City has maintained its \$1.355 property tax rate, other taxing bodies have increased rates to the point where the City's total tax rate is 28% higher than the neighboring City of Champaign. This puts the City at a competitive disadvantage and is not sustainable. The City and other taxing districts continue to deal with fallout from the 2012 State law that grants hospitals tax relief. Because the local hospitals made up about 11% of the City's EAV, the result was a shift in the tax burden to other taxpayers.

Any reductions in State funding for the University of Illinois, which is a significant driver for the local economy and the City's largest employer, would also have a significant impact on the City. Depending on the magnitude of reductions, there could be 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 61801

# CITY OF URBANA

## STATEMENT OF NET POSITION As of June 30, 2017

|   | Governmental<br>Activities | Business-Type<br>Activities | Totals                | Component<br>Unit -<br>Urbana Free<br>Library |
|---|----------------------------|-----------------------------|-----------------------|---|
| <b>ASSETS</b>                             |                            |                             |                       |   |
| Cash and investments                      | \$ 34,985,243              | \$ 2,239,395                | \$ 37,224,638         | \$ 2,192,667                                  |
| Receivables                               |                            |                             |                       |   |
| Property taxes                            | 3,150,168                  | -                           | 3,150,168             | 1,451,059                                     |
| Other taxes                               | 928,008                    | -                           | 928,008               | -   |
| Accrued interest                          | 44,058                     | -                           | 44,058                | 145   |
| Accounts                                  | 569,271                    | 4,689                       | 573,960               | -   |
| Due from other governments                | 5,548,080                  | -                           | 5,548,080             | 17,969  |
| Grants                                    | 792,221                    | -                           | 792,221               | -   |
| Internal balances                         | (14,557)                   | 14,557                      | -                     | -   |
| Prepaid items                             | 100,818                    | -                           | 100,818               | 9,288   |
| Inventory                                 | 114,826                    | -                           | 114,826               | -   |
| Restricted assets                         |                            |                             |                       |   |
| Cash and investments                      | -                          | -                           | -                     | 545,680                                       |
| Investment in joint venture               | 66,352                     | -                           | 66,352                | -   |
| Capital Assets                            |                            |                             |                       |   |
| Land                                      | 7,867,289                  | 3,765,739                   | 11,633,028            | 594,362                                       |
| Construction in progress                  | 7,229,611                  | 352,754                     | 7,582,365             | 28,980  |
| Other capital assets, net of depreciation | 81,588,169                 | 1,997,885                   | 83,586,054            | 8,400,259                                     |
| Total Assets                              | <u>142,969,557</u>         | <u>8,375,019</u>            | <u>151,344,576</u>    | <u>13,240,409</u>                             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                            |                             |                       |   |
| Deferred outflows related to pensions     | 18,010,964                 | 60,810                      | 18,071,774            | -   |
| Total Deferred Outflows of Resources      | <u>18,010,964</u>          | <u>60,810</u>               | <u>18,071,774</u>     | <u>-</u>                                      |
| <b>LIABILITIES</b>                        |                            |                             |                       |   |
| Accounts payable                          | 1,703,951                  | 165,474                     | 1,869,425             | 71,532  |
| Claims payable                            | 209,344                    | -                           | 209,344               | -   |
| Accrued interest                          | 31,889                     | -                           | 31,889                | -   |
| Accrued salaries and taxes                | 406,201                    | 3,960                       | 410,161               | 63,293  |
| Unearned revenue                          | 2,085,506                  | 154,174                     | 2,239,680             | 11,760  |
| Noncurrent Liabilities                    |                            |                             |                       |   |
| Due within one year                       | 2,918,142                  | -                           | 2,918,142             | 204,474                                       |
| Due in more than one year                 | 43,792,780                 | 112,676                     | 43,905,456            | 19,830  |
| Total Liabilities                         | <u>51,147,813</u>          | <u>436,284</u>              | <u>51,584,097</u>     | <u>370,889</u>                                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                            |                             |                       |   |
| Property taxes levied for future periods  | 2,630,842                  | -                           | 2,630,842             | 1,243,600                                     |
| Deferred inflows related to pensions      | 7,119,049                  | 6,944                       | 7,125,993             | -   |
| Total Deferred Inflows of Resources       | <u>9,749,891</u>           | <u>6,944</u>                | <u>9,756,835</u>      | <u>1,243,600</u>                              |
| <b>NET POSITION</b>                       |                            |                             |                       |   |
| Net investment in capital assets          | 90,269,318                 | 6,116,378                   | 96,385,696            | 9,023,601                                     |
| Restricted for                            |                            |                             |                       |   |
| Public safety                             | 73,135                     | -                           | 73,135                | -   |
| Urban redevelopment and housing           | 4,151,657                  | -                           | 4,151,657             | -   |
| Capital projects                          | 2,981,975                  | -                           | 2,981,975             | -   |
| Highways and streets                      | 767,350                    | -                           | 767,350               | -   |
| Trust                                     | -                          | -                           | -                     | 544,850                                       |
| Unrestricted                              | <u>1,839,382</u>           | <u>1,876,223</u>            | <u>3,715,605</u>      | <u>2,057,469</u>                              |
| <b>TOTAL NET POSITION</b>                 | <u>\$ 100,082,817</u>      | <u>\$ 7,992,601</u>         | <u>\$ 108,075,418</u> | <u>\$ 11,625,920</u>                          |

See accompanying notes to financial statements.

# CITY OF URBANA

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2017

| <u>Functions/Programs</u>                     | Program Revenues                |   |   |                     |
|---|---------------------------------|---|---|---------------------|
| <u>Expenses</u>                               | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |                     |
| Primary Government                            |                                 |   |   |                     |
| Governmental Activities                       |                                 |   |   |                     |
| General government                            | \$ 5,692,610                    | \$ 454,428  | \$ -  | \$ -                |
| Public safety                                 | 20,289,426                      | 3,497,595   | 11,737  | 1,230               |
| Highways and streets                          | 12,955,779                      | 3,418,026   | 44,466  | 1,333,355           |
| Urban redevelopment & housing                 | 5,099,482                       | 1,442,309   | 1,235,796                                       | -                   |
| Interest and fiscal charges                   | <u>108,357</u>                  | <u>-</u>  | <u>-</u>  | <u>-</u>            |
| Total Governmental Activities                 | <u>44,145,654</u>               | <u>8,812,358</u>                                  | <u>1,291,999</u>                                | <u>1,334,585</u>    |
| Business-type Activities                      |                                 |   |   |                     |
| Motor Vehicle Parking                         | <u>707,386</u>                  | <u>1,420,533</u>                                  | <u>-</u>  | <u>-</u>            |
| Total Business-type Activities                | <u>707,386</u>                  | <u>1,420,533</u>                                  | <u>-</u>  | <u>-</u>            |
| Total Primary Government                      | <u>\$ 44,853,040</u>            | <u>\$ 10,232,891</u>                              | <u>\$ 1,291,999</u>                             | <u>\$ 1,334,585</u> |
| Component Unit                                |                                 |   |   |                     |
| Urbana Free Library                           | <u>\$ 3,710,612</u>             | <u>\$ 494,664</u>                                 | <u>\$ 487,299</u>                               | <u>\$ 113,630</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          |                                 |   |   |                     |
| <b>Change in net position</b>                 |                                 |   |   |                     |
| NET POSITION - Beginning of Year              |                                 |   |   |                     |
| <b>NET POSITION - END OF YEAR</b>             |                                 |   |   |                     |

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  |
| \$ (5,238,182)                                      | \$ -                     | \$ (5,238,182)        | \$ -                 |
| (16,778,864)  | -                        | (16,778,864)          | -                    |
| (8,159,932)   | -                        | (8,159,932)           | -                    |
| (2,421,377)   | -                        | (2,421,377)           | -                    |
| <u>(108,357)</u>                                    | <u>-</u>                 | <u>(108,357)</u>      | <u>-</u>             |
| <u>(32,706,712)</u>                                 | <u>-</u>                 | <u>(32,706,712)</u>   | <u>-</u>             |
| -   | <u>713,147</u>           | <u>713,147</u>        | -                    |
| -   | <u>713,147</u>           | <u>713,147</u>        | -                    |
| <u>(32,706,712)</u>                                 | <u>713,147</u>           | <u>(31,993,565)</u>   | -                    |
| -   | -                        | -                     | (2,615,019)          |
| 6,695,329   | -                        | 6,695,329             | 3,059,263            |
| 6,022,936   | -                        | 6,022,936             | -                    |
| 962,672   | -                        | 962,672               | -                    |
| 1,333,403   | -                        | 1,333,403             | -                    |
| 3,810,606   | -                        | 3,810,606             | -                    |
| 6,009,817   | -                        | 6,009,817             | -                    |
| 337,548   | -                        | 337,548               | 98,027               |
| 3,900,767   | -                        | 3,900,767             | -                    |
| 306,035   | -                        | 306,035               | -                    |
| 73,302  | 4,650                    | 77,952                | 4,236                |
| <u>79,923</u>                                       | <u>-</u>                 | <u>79,923</u>         | <u>237,665</u>       |
| <u>29,532,338</u>                                   | <u>4,650</u>             | <u>29,536,988</u>     | <u>3,399,191</u>     |
| <u>824,776</u>                                      | <u>(824,776)</u>         | <u>-</u>              | <u>-</u>             |
| <u>30,357,114</u>                                   | <u>(820,126)</u>         | <u>29,536,988</u>     | <u>3,399,191</u>     |
| (2,349,598)   | (106,979)                | (2,456,577)           | 784,172              |
| <u>102,432,415</u>                                  | <u>8,099,580</u>         | <u>110,531,995</u>    | <u>10,841,748</u>    |
| <u>\$ 100,082,817</u>                               | <u>\$ 7,992,601</u>      | <u>\$ 108,075,418</u> | <u>\$ 11,625,920</u> |

See accompanying notes to financial statements.

**CITY OF URBANA**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2017

|                            | General              | Vehicle and<br>Equipment<br>Replacement | Tax Increment<br>Financing<br>District 4 | Special<br>Reserve  |
|----------------------------|----------------------|---|--|---------------------|
| <b>ASSETS</b>              |                      |   |  |                     |
| Cash and investments       | \$ 5,728,658         | \$ 7,420,845                            | \$ 2,551,758                             | \$ 5,349,441        |
| Receivables                |                      |   |  |                     |
| Property taxes             | 2,001,517            | -                                       | 473,529                                  | -                   |
| Other taxes                | 451,499              | -                                       | -  | -                   |
| Accounts                   | 59,464               | -                                       | -  | -                   |
| Accrued interest           | 44,058               | -                                       | -  | -                   |
| Due from other governments | 4,185,792            | -                                       | -  | -                   |
| Grants                     | -                    | -                                       | -  | -                   |
| Due from other funds       | 380,824              | -                                       | -  | -                   |
| Prepaid items              | 100,818              | -                                       | -  | -                   |
| <b>TOTAL ASSETS</b>        | <b>\$ 12,952,630</b> | <b>\$ 7,420,845</b>                     | <b>\$ 3,025,287</b>                      | <b>\$ 5,349,441</b> |

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| <u>Capital<br/>Improvement<br/>and<br/>Replacement</u> | <u>Motor Fuel<br/>Tax</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Totals</u>        |
|--|---------------------------|--|----------------------|
| \$ 4,634,454   | \$ 2,795,597              | \$ 6,265,288                               | \$ 34,746,041        |
| -  | -                         | 675,122                                    | 3,150,168            |
| 74,695   | -                         | 401,814                                    | 928,008              |
| 459,807  | -                         | 50,000                                     | 569,271              |
| -  | -                         | -  | 44,058               |
| 649,112  | 713,176                   | -  | 5,548,080            |
| -  | -                         | 792,221                                    | 792,221              |
| -  | -                         | -  | 380,824              |
| -  | -                         | -  | 100,818              |
| <u>\$ 5,818,068</u>                                    | <u>\$ 3,508,773</u>       | <u>\$ 8,184,445</u>                        | <u>\$ 46,259,489</u> |

See accompanying notes to financial statements.

**CITY OF URBANA**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2017

|  | General              | Vehicle and<br>Equipment<br>Replacement | Tax Increment<br>Financing<br>District 4 | Special<br>Reserve  |
|--|----------------------|---|--|---------------------|
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>                   |                      |   |  |                     |
| Liabilities  |                      |   |  |                     |
| Accounts payable   | \$ 414,072           | \$ 49,264                               | \$ 552,656                               | \$ 13,101           |
| Claims payable   | 209,344              | -                                       | -  | -                   |
| Accrued salaries and taxes   | 382,039              | -                                       | 2,146                                    | 995                 |
| Due to other funds   | -                    | -                                       | -  | -                   |
| Unearned revenues  | 426,821              | -                                       | -  | -                   |
| Total Liabilities  | 1,432,276            | 49,264                                  | 554,802                                  | 14,096              |
| Deferred Inflows of Resources  |                      |   |  |                     |
| Property taxes levied for future periods   | 1,720,021            | -                                       | 388,001                                  | -                   |
| Unavailable revenues for grants  | -                    | -                                       | -  | -                   |
| Total Deferred Inflows of Resources  | 1,720,021            | -                                       | 388,001                                  | -                   |
| Fund Balances (Deficit)  |                      |   |  |                     |
| Nonspendable for prepaid items   | 100,818              | -                                       | -  | -                   |
| Restricted for urban housing and development   | -                    | -                                       | 2,082,484                                | -                   |
| Restricted for capital projects  | -                    | -                                       | -  | -                   |
| Restricted for public safety   | -                    | -                                       | -  | -                   |
| Restricted for highways and streets  | -                    | -                                       | -  | -                   |
| Committed for capital projects   | -                    | -                                       | -  | -                   |
| Assigned for public safety   | -                    | 7,371,581                               | -  | -                   |
| Assigned for urban housing and development   | -                    | -                                       | -  | 72,664              |
| Assigned for social services   | -                    | -                                       | -  | -                   |
| Assigned for workers' compensation   | -                    | -                                       | -  | -                   |
| Assigned for public television   | -                    | -                                       | -  | -                   |
| Assigned for capital projects  | -                    | -                                       | -  | -                   |
| Assigned for property tax reserve  | -                    | -                                       | -  | 5,262,681           |
| Unassigned   | 9,699,515            | -                                       | -  | -                   |
| Total Fund Balances  | 9,800,333            | 7,371,581                               | 2,082,484                                | 5,335,345           |
| <b>TOTAL LIABILITIES,<br/>DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND<br/>BALANCES</b> | <b>\$ 12,952,630</b> | <b>\$ 7,420,845</b>                     | <b>\$ 3,025,287</b>                      | <b>\$ 5,349,441</b> |

See accompanying notes to financial statements.

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| Capital<br>Improvement<br>and<br>Replacement | Motor Fuel<br>Tax   | Nonmajor<br>Governmental<br>Funds | Totals               |
|--|---------------------|-----------------------------------|----------------------|
| \$ 217,374                                   | \$ 107,063          | \$ 317,544                        | \$ 1,671,074         |
| -  | -                   | -                                 | 209,344              |
| -  | -                   | 15,575                            | 400,755              |
| -  | -                   | 380,824                           | 380,824              |
| <u>866,793</u>                               | <u>567,480</u>      | <u>224,412</u>                    | <u>2,085,506</u>     |
| <u>1,084,167</u>                             | <u>674,543</u>      | <u>938,355</u>                    | <u>4,747,503</u>     |
| -  | -                   | 522,820                           | 2,630,842            |
| -  | -                   | <u>126,884</u>                    | <u>126,884</u>       |
| -  | -                   | <u>649,704</u>                    | <u>2,757,726</u>     |
| -  | -                   | -                                 | 100,818              |
| -  | -                   | 2,069,173                         | 4,151,657            |
| 504,494                                      | 2,834,230           | -                                 | 3,338,724            |
| -  | -                   | 73,135                            | 73,135               |
| -  | -                   | 767,350                           | 767,350              |
| -  | -                   | 1,045,459                         | 1,045,459            |
| -  | -                   | 35,906                            | 7,407,487            |
| -  | -                   | 101,577                           | 174,241              |
| -  | -                   | 31,040                            | 31,040               |
| -  | -                   | 2,354,138                         | 2,354,138            |
| -  | -                   | 165,304                           | 165,304              |
| 4,229,407                                    | -                   | -                                 | 4,229,407            |
| -  | -                   | -                                 | 5,262,681            |
| -  | -                   | (46,696)                          | <u>9,652,819</u>     |
| <u>4,733,901</u>                             | <u>2,834,230</u>    | <u>6,596,386</u>                  | <u>38,754,260</u>    |
| <br>   |                     |                                   |                      |
| <u>\$ 5,818,068</u>                          | <u>\$ 3,508,773</u> | <u>\$ 8,184,445</u>               | <u>\$ 46,259,489</u> |

See accompanying notes to financial statements.

## CITY OF URBANA

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of June 30, 2017

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|  |                                  |
|--|----------------------------------|
| Total Fund Balances - Governmental Funds   | \$ 38,754,260                    |
| <br>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.   | 96,685,069                       |
| Less amount reported in internal service funds below:  | (70,217)                         |
| <br>Deferred outflows of resources related to pensions do not related to current financial resources and are not included in the Governmental Funds Balance Sheet.                                       | <br>18,010,964                   |
| Less amounts reported in internal service funds below.   | (125,585)                        |
| <br>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. | <br>126,884                      |
| <br>An asset is reported in the statement of net position for the equity interest in the Champaign-Urbana Waste Disposal System joint venture.   | <br>66,352                       |
| <br>Internal service funds are reported in the statement of net position as governmental activities.   | <br>249,933                      |
| <br>A liability is reported in the statement of net position for the net obligation relating to post employment benefits.  | <br>(1,041,173)                  |
| <br>Deferred inflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.   | <br>(7,119,049)                  |
| Less amounts reported in internal service funds above.   | 14,340                           |
| <br>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  | (6,440,000)                      |
| Loan payable   | (332,500)                        |
| Compensated absences   | (1,736,992)                      |
| Accrued interest   | (31,889)                         |
| Landfill post-closure monitoring   | (28,650)                         |
| Net pension liabilities  | (37,131,607)                     |
| Less amounts reported in internal service funds above.   | <u>232,677</u>                   |
| <br><b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>   | <br><b><u>\$ 100,082,817</u></b> |

See accompanying notes to financial statements.

## CITY OF URBANA

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

For the Year Ended June 30, 2017

|   | General             | Vehicle and<br>Equipment<br>Replacement | Tax Increment<br>Financing<br>District 4 | Special<br>Reserve  |
|---|---------------------|---|--|---------------------|
| <b>REVENUES</b>                                   |                     |   |  |                     |
| Property taxes                                    | \$ 4,103,878        | \$ -                                    | \$ 964,365                               | \$ -                |
| Other taxes                                       | 9,879,894           | -                                       | -  | -                   |
| Intergovernmental                                 | 12,808,747          | 1,230                                   | -  | 3,450               |
| Licenses, fines, and service charges              | 2,901,435           | 74,250                                  | -  | 98,247              |
| Investment income                                 | 25,490              | 19,986                                  | 4,926                                    | 94                  |
| Miscellaneous                                     | -                   | -                                       | -  | -                   |
| <b>Total Revenues</b>                             | <u>29,719,444</u>   | <u>95,466</u>                           | <u>969,291</u>                           | <u>101,791</u>      |
| <b>EXPENDITURES</b>                               |                     |   |  |                     |
| Current   |                     |   |  |                     |
| General government                                | 4,613,741           | -                                       | -  | -                   |
| Public safety                                     | 16,161,378          | 515,035                                 | -  | -                   |
| Highways and streets                              | 6,702,172           | -                                       | -  | -                   |
| Urban redevelopment and housing                   | 1,662,907           | -                                       | 592,831                                  | 107,539             |
| Capital Outlay                                    | -                   | 188,261                                 | 647,140                                  | -                   |
| Debt Service                                      |                     |   |  |                     |
| Principal   | -                   | 17,500                                  | -  | -                   |
| Interest and fiscal charges                       | -                   | -                                       | -  | -                   |
| <b>Total Expenditures</b>                         | <u>29,140,198</u>   | <u>720,796</u>                          | <u>1,239,971</u>                         | <u>107,539</u>      |
| Excess (deficiency) of revenues over expenditures | <u>579,246</u>      | <u>(625,330)</u>                        | <u>(270,680)</u>                         | <u>(5,748)</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |   |  |                     |
| Transfers in                                      | 2,838,632           | 1,514,871                               | -  | 5,262,681           |
| Transfers out                                     | <u>(9,315,051)</u>  | <u>(188,178)</u>                        | <u>-</u>                                 | <u>(37,246)</u>     |
| <b>Total Other Financing Sources (Uses)</b>       | <u>(6,476,419)</u>  | <u>1,326,693</u>                        | <u>-</u>                                 | <u>5,225,435</u>    |
| <b>Net Change in Fund Balances</b>                | (5,897,173)         | 701,363                                 | (270,680)                                | 5,219,687           |
| FUND BALANCES - Beginning of Year                 | <u>15,697,506</u>   | <u>6,670,218</u>                        | <u>2,353,164</u>                         | <u>115,658</u>      |
| <b>FUND BALANCES - END OF YEAR</b>                | <u>\$ 9,800,333</u> | <u>\$ 7,371,581</u>                     | <u>\$ 2,082,484</u>                      | <u>\$ 5,335,345</u> |

See accompanying notes to financial statements.

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| Capital<br>Improvement<br>and<br>Replacement | Motor Fuel<br>Tax   | Nonmajor<br>Governmental<br>Funds | Totals               |
|--|---------------------|-----------------------------------|----------------------|
| \$ -   | \$ -                | \$ 1,627,086                      | \$ 6,695,329         |
| -  | -                   | 1,333,403                         | 11,213,297           |
| 1,114,075                                    | 1,180,066           | 1,511,808                         | 16,619,376           |
| 1,509,931                                    | -                   | 1,615,315                         | 6,199,178            |
| 10,056                                       | 10,629              | 1,333                             | 72,514               |
| <u>57,655</u>                                | -                   | <u>22,268</u>                     | <u>79,923</u>        |
| <u>2,691,717</u>                             | <u>1,190,695</u>    | <u>6,111,213</u>                  | <u>40,879,617</u>    |
| -  | -                   | 219,002                           | 4,832,743            |
| -  | -                   | 106,150                           | 16,782,563           |
| 190,556                                      | -                   | 1,556,391                         | 8,449,119            |
| -  | -                   | 2,697,905                         | 5,061,182            |
| 2,612,178                                    | 412,004             | 301,283                           | 4,160,866            |
| 270,000                                      | -                   | 855,000                           | 1,142,500            |
| <u>38,465</u>                                | -                   | <u>76,005</u>                     | <u>114,470</u>       |
| <u>3,111,199</u>                             | <u>412,004</u>      | <u>5,811,736</u>                  | <u>40,543,443</u>    |
| <u>(419,482)</u>                             | <u>778,691</u>      | <u>299,477</u>                    | <u>336,174</u>       |
| 2,462,254                                    | -                   | 2,121,253                         | 14,199,691           |
| <u>(581,800)</u>                             | <u>(28,360)</u>     | <u>(3,224,280)</u>                | <u>(13,374,915)</u>  |
| <u>1,880,454</u>                             | <u>(28,360)</u>     | <u>(1,103,027)</u>                | <u>824,776</u>       |
| 1,460,972                                    | 750,331             | (803,550)                         | 1,160,950            |
| <u>3,272,929</u>                             | <u>2,083,899</u>    | <u>7,399,936</u>                  | <u>37,593,310</u>    |
| <u>\$ 4,733,901</u>                          | <u>\$ 2,834,230</u> | <u>\$ 6,596,386</u>               | <u>\$ 38,754,260</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, 2017

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|  |    |           |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 1,160,950 |
|--|----|-----------|

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 |  | 3,629,288   |
| Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements         |  | 298,007     |
| Depreciation is reported in the government-wide financial statements   |  | (4,824,594) |
| Less amounts reported in internal service funds below.   |  | 10,591      |

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 |  | 90,875 |
|-------------------|--|--------|

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

|                  |  |           |
|------------------|--|-----------|
| Principal repaid |  | 1,142,500 |
|------------------|--|-----------|

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                                  |  | (55,522)    |
| Accrued interest on debt                              |  | 6,113       |
| Other post employment benefits obligation             |  | (375,854)   |
| Net pension liability                                 |  | (3,839,963) |
| Landfill post-closure monitoring                      |  | 28,650      |
| Deferred outflows of resources due to pensions        |  | 2,588,761   |
| Deferred inflows of resources due to pensions         |  | (2,330,047) |
| Less amounts reported in internal service funds below |  | (7,611)     |

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.

|  |  |       |
|--|--|-------|
|  |  | 5,550 |
|--|--|-------|

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>122,708</u> |
|--|--|----------------|

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

|  |           |                           |
|--|-----------|---------------------------|
|  | <b>\$</b> | <b><u>(2,349,598)</u></b> |
|--|-----------|---------------------------|

See accompanying notes to financial statements.

**CITY OF URBANA**

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 As of June 30, 2017

|                                       | Business-type<br>Activities -<br>Enterprise<br>Fund |  |
|---------------------------------------|---|--|
|                                       | Motor Vehicle<br>Parking                            | Governmental<br>Activities -<br>Internal<br>Service Fund |
| <b>ASSETS</b>                         |   |  |
| Current Assets                        |   |  |
| Cash and investments                  | \$ 2,239,395  | \$ 239,202   |
| Accounts receivable                   | 4,689   | -  |
| Inventories                           | -   | 114,826  |
| Total Current Assets                  | 2,244,084   | 354,028  |
| Noncurrent Assets                     |   |  |
| Capital Assets                        |   |  |
| Land                                  | 3,765,739   | -  |
| Construction in progress              | 352,754   | -  |
| Parking improvements                  | 8,111,822   | -  |
| Equipment                             | 413,394   | 265,446  |
| Less: Accumulated depreciation        | (6,527,331)   | (195,229)  |
| Total Noncurrent Assets               | 6,116,378   | 70,217   |
| Total Assets                          | 8,360,462   | 424,245  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |   |  |
| Deferred outflows related to pensions | 60,810  | 125,585  |
| Total Deferred Outflows of Resources  | 60,810  | 125,585  |

See accompanying notes to financial statements.

**CITY OF URBANA**

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 As of June 30, 2017

|  | Business-type<br>Activities -<br>Enterprise<br>Fund | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--|---|--|
|  | Motor Vehicle<br>Parking                            | Fund   |
| <b>LIABILITIES</b>   |   |  |
| Current Liabilities  |   |  |
| Accounts payable   | 165,474   | 32,877   |
| Accrued salaries and taxes   | 3,960   | 5,446  |
| Unearned revenues  | 154,174   | -  |
| Total Current Liabilities  | 323,608   | 38,323   |
| Noncurrent Liabilities   |   |  |
| Net pension liability  | 112,676   | 232,677  |
| Total Noncurrent Liabilities   | 112,676   | 232,677  |
| Total Liabilities  | 436,284   | 271,000  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |   |  |
| Deferred inflows of resources  | 6,944   | 14,340   |
| Total Deferred Inflows of Resources  | 6,944   | 14,340   |
| <b>NET POSITION</b>  |   |  |
| Net investment in capital assets   | 6,166,379   | 70,217   |
| Unrestricted   | 1,811,665   | 194,273  |
| <b>TOTAL NET POSITION</b>  | <b>\$ 7,978,044</b>                                 | <b>\$ 264,490</b>  |
| Adjustments to reflect the consolidation of internal service funds activities related to enterprise funds. | 14,557  | (14,557)   |
| Net Position Business-type Activities  | <b>\$ 7,992,601</b>                                 |  |
| Net internal service funds reported in the statement of net position as governmental activities            |   | <b>\$ 249,933</b>  |

**CITY OF URBANA**

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

For the Year Ended June 30, 2017

|   | Business-type<br>Activities -<br>Enterprise<br>Fund | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|---|--|
|   | Motor Vehicle<br>Parking                            | Service Fund   |
| <b>OPERATING REVENUES</b>   |   |  |
| Parking meters  | \$ 1,125,034  | \$ -   |
| Parking rentals   | 295,499   | -  |
| Charges for services  | -   | 935,941  |
| Total Operating Revenues  | 1,420,533   | 935,941  |
| <b>OPERATING EXPENSES</b>   |   |  |
| Personnel   | 212,413   | 342,815  |
| Supplies  | 45,013  | 11,429   |
| Contractual services  | 250,757   | 103,423  |
| Equipment parts   | -   | 171,332  |
| Fuel  | -   | 164,202  |
| Depreciation  | 209,432   | 10,591   |
| Total Operating Expenses  | 717,615   | 803,792  |
| Operating Income  | 702,918   | 132,149  |
| <b>NONOPERATING REVENUES</b>  |   |  |
| Investment income   | 4,650   | 788  |
| Total Nonoperating Revenues   | 4,650   | 788  |
| Income Before Transfers   | 707,568   | 132,937  |
| <b>TRANSFERS</b>  |   |  |
| Transfers out   | (824,776)   | -  |
| Total Transfers   | (824,776)   | -  |
| <b>Change in Net Position</b>   | (117,208)   | 132,937  |
| NET POSITION - Beginning of Year  | 8,095,252   | 131,553  |
| <b>NET POSITION- END OF YEAR</b>  | \$ 7,978,044  | \$ 264,490   |
| Adjustment to reflect the consolidation of internal service funds<br>activities related to enterprise funds | 10,229  |  |
| Change in Net Position of Business-type Activities  | \$ (106,979)  |  |

See accompanying notes to financial statements.

**CITY OF URBANA**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2017

|   | <u>Motor Vehicle<br/>Parking</u> | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</u> |
|---|----------------------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                                  |  |
| Received from customers   | \$ 1,442,722                     | \$ 935,941   |
| Paid to suppliers for goods and services                        | (313,599)                        | (452,921)  |
| Paid to employees for services                                  | (197,253)                        | (349,017)  |
| Net Cash Flows From Operating Activities                        | <u>931,870</u>                   | <u>134,003</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                                  |  |
| Investments sold and matured                                    | 371,108                          | -  |
| Investment income   | 4,650                            | 788  |
| Net Cash Flows From Investing Activities                        | <u>375,758</u>                   | <u>788</u>   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                                  |  |
| Transfers   | (824,776)                        | -  |
| Net Cash Flows From Noncapital Financing Activities             | <u>(824,776)</u>                 | <u>-</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                                  |  |
| Principal repayments on note                                    | (24,339)                         | -  |
| Interest repayments on note                                     | (2,384)                          | -  |
| Acquisition and construction of capital assets                  | (337,056)                        | -  |
| Net Cash Flows From Capital and Related Financing Activities    | <u>(363,779)</u>                 | <u>-</u>   |
| <b>Net Change in Cash and Cash Equivalents</b>                  | 119,073                          | 134,791  |
| CASH AND CASH EQUIVALENTS - Beginning of Year                   | <u>797,287</u>                   | <u>104,411</u>   |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                  | <u><u>\$ 916,360</u></u>         | <u><u>\$ 239,202</u></u>   |

See accompanying notes to financial statements.

**CITY OF URBANA**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2017

|   | Motor Vehicle<br>Parking | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|--------------------------|--|
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS<br/>FROM OPERATING ACTIVITIES</b>                   |                          |  |
| Operating income  | \$ 702,918               | \$ 132,149   |
| Adjustments to Reconcile Operating Income to Net Cash Flows<br>From Operating Activities                    |                          |  |
| Depreciation  | 209,432                  | 10,591   |
| Changes in assets, deferred outflows of resources, and liabilities  |                          |  |
| Accounts receivable   | 13,984                   | -  |
| Inventory   | -                        | (7,177)  |
| Deferred outflows related to pensions   | 14,551                   | 99,968   |
| Accounts payable  | (17,829)                 | 4,642  |
| Accrued salaries  | 1,790                    | 1,409  |
| Unearned revenue  | 8,205                    | -  |
| Net pension liability   | (1,426)                  | (102,256)  |
| Deferred inflows related to pensions  | 245                      | (5,323)  |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>   | <b>\$ 931,870</b>        | <b>\$ 134,003</b>  |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE<br/>STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b> |                          |  |
| Cash and investments - statement of net position  | \$ 2,239,395             | \$ 239,202   |
| Less: Investments   | (1,323,035)              | -  |
| <b>CASH AND CASH EQUIVALENTS</b>  | <b>\$ 916,360</b>        | <b>\$ 239,202</b>  |
| <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                          |  |
| None  |                          |  |

See accompanying notes to financial statements.

# CITY OF URBANA

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS As of June 30, 2017

---

|                                       | <u>Pension Trusts</u> |
|---------------------------------------|-----------------------|
| <b>ASSETS</b>                         |                       |
| Cash                                  | \$ 2,321,190          |
| Investments                           |                       |
| Certificates of deposit               | 2,344,788             |
| Money market funds                    | 103,378               |
| U.S. Government and agency securities | 18,258,694            |
| Mutual funds                          | 48,949,854            |
| Domestic common stocks                | 5,835,523             |
| Corporate bonds                       | 5,226,015             |
| Municipal bonds                       | 565,674               |
| Receivables                           |                       |
| Accrued interest                      | <u>108,627</u>        |
| Total Assets                          | <u>83,713,743</u>     |
| <b>LIABILITIES</b>                    |                       |
| Accounts payable                      | <u>12,664</u>         |
| Total Liabilities                     | <u>12,664</u>         |
| <b>NET POSITION</b>                   |                       |
| Restricted for pensions               | <u>\$ 83,701,079</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, 2017

---

|   | <u>Pension Trusts</u>    |
|---|--------------------------|
| <b>ADDITIONS</b>                              |                          |
| Contributions                                 |                          |
| Employer contributions                        | \$ 2,202,829             |
| Employee contributions                        | <u>845,466</u>           |
| Total Contributions                           | <u>3,048,295</u>         |
| Investment income                             |                          |
| Investment income                             | 2,090,818                |
| Net appreciation in fair value of investments | 6,807,105                |
| Investment expense                            | <u>(214,447)</u>         |
| Total Investment Income                       | <u>8,683,476</u>         |
| Total Additions                               | <u>11,731,771</u>        |
| <b>DEDUCTIONS</b>                             |                          |
| Benefits                                      | 4,608,005                |
| Administrative costs                          | <u>90,298</u>            |
| Total Deductions                              | <u>4,698,303</u>         |
| <br><b>Change in Net Position</b>             | <br>7,033,468            |
| NET POSITION - Beginning of Year              | <u>76,667,611</u>        |
| <br><b>NET POSITION - END OF YEAR</b>         | <br><u>\$ 83,701,079</u> |

See accompanying notes to financial statements.



# CITY OF URBANA

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# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### **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, 2017

---

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

---

#### **A. REPORTING ENTITY (cont.)**

##### ***Pension Trust Funds***

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 (Library) as a component unit. The Library is a legally separate organization. The board of 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 and statutes provide for circumstances whereby the City can impose its will on the Library. See Note III.H. As a component unit, 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, 2017. Separately issued financial statements of the Urbana Free Library may be obtained from the Library's office.

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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

---

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

In August 2015, the GASB issued statement No. 77 - *Tax Abatement Disclosures*. This statement addresses financial reporting related to tax abatement programs. It establishes requirements for disclosures about a reporting government's own tax abatements agreements and agreements entered into by other governments that reduce the reporting government's tax revenues. This standard was implemented July 1, 2016.

#### ***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, 2017

---

### 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.
- Vehicle and Equipment Replacement Special Revenue Fund - accounts for the fees, grants, and transfers used to pay for the replacement of public safety vehicles and equipment.
- Tax Increment Financing District 4 Fund - accounts for incremental real estate tax revenues received from Tax Increment Financing District 4 that are to be used for the development of the Redevelopment Project Area within Tax Increment Financing District 4.
- Special Reserve Fund - accounts for the Market at the Square revenues and expenditures and for property tax reserves.
- Capital Improvement and Replacement Capital Projects Fund - used to account for the payments of capital improvements that do not have a designated revenue sources, or for improvements for which the designated funding source is not adequate.
- Motor Fuel Tax Capital Projects Fund - accounts for the receipts of state-shared motor fuel tax revenue, which is used to pay for eligible transportation improvements.

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, 2017

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

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### ***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                          | Special Community Development      |
| HOME Community Development               | Community Development Block Grant  |
| Tax Increment Financing District 1       | Tax Increment Financing District 2 |
| Recycling                                | Post TIF Escrow                    |
| Police Records                           | Insurance Financing                |
| Emergency Solutions                      | Public Television                  |
| Central Tax Increment Financing District |                                    |

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.

Sanitary Sewer Construction

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, 2017

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### 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. However for intergovernmental taxes, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period due to the historic lag in payments from the State. 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, 2017

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

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### ***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, DEFERRED OUTFLOWS OF RESOURCES, 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, 2017

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

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### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, 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, 2017

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

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### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, 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. Investments in IMET's 1 - 3 Year Fund may be redeemed with 5 business days' notice.

See Note III. A. for further information.

#### ***2. Receivables***

Property taxes for levy year 2016 attaches as an enforceable lien on January 1, 2016, 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 2017 tax levy, which attached as an enforceable lien on the property as of January 1, 2017, has not been recorded as a receivable as of June 30, 2017, as the tax has not yet been levied by the City and will not be levied until December 2017, and therefore, the levy is not measurable at June 30, 2017.

Tax bills for levy year 2016 are prepared by the Champaign County Clerk and issued on or about May 1, 2017 and August 1, 2017, and are payable in two installments, on or about June 1, 2017 and September 1, 2017 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, 2017

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

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

##### ***2. Receivables (cont.)***

The county collects such taxes and remits them periodically. The 2016 property tax levy is recognized as a receivable and deferred inflows of resources in fiscal 2017, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At June 30, 2017, the property taxes receivable and related deferred inflows of resources consisted of the estimated amount collectible from the 2016 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 land, infrastructure, buildings, and improvements with an initial cost of more than \$10,000 and an estimated useful life in excess of 10 years and equipment 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, 2017

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

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### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, 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. Deferred Outflows of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

#### ***7. 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, 2017.

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, 2017, are determined on the basis of current salary rates and include salary related payments.

# CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

---

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

#### ***8. 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, loans payable, accrued compensated absences, net other post-employment benefit obligation, landfill post-closure monitoring liabilities and net pension liabilities.

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.

#### ***9. 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.

#### ***10. 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.

# CITY OF URBANA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

---

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

#### ***10. Equity Classifications (cont.)***

##### ***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.
- 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. The City has adopted a financial policy authorizing the Finance Director to assign amounts for a specific purpose. 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 \$9,699,515.

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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**NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**A. DEFICIT BALANCES**

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

As of June 30, 2017, the following individual funds held a deficit balance:

| Fund                       | Amount      |
|----------------------------|-------------|
| HOME Community Development | \$ (19,058) |
| Emergency Solutions        | (27,638)    |

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

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**NOTE III - DETAILED NOTES ON ALL FUNDS**

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**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, 2017

#### **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<br>Value | Statement<br>Balances | Associated Risks   |
|---|-------------------|-----------------------|--|
| Deposits  | \$ 10,956,149     | \$ 11,189,826         | Custodial credit risk - deposits   |
| Non-negotiable certificates of deposit          | 11,081,761        | 11,100,758            | Custodial credit risk - deposits   |
| Money market mutual funds - bond funds          | 103,378           | 103,378               | Credit risk, interest rate risk  |
| Money market mutual funds - other               | 48,948,373        | 48,948,372            | N/A  |
| Illinois Funds                                  | 1,449,256         | 1,448,154             | Credit risk  |
| IMET (Convenience Fund)                         | 505,049           | 505,049               | Credit risk  |
| IMET (1-3 Year Fund)                            | 5,514,318         | 5,514,318             | Credit risk, interest rate risk  |
| U.S. Treasury obligations                       | 13,360,006        | 13,360,006            | Interest rate risk, custodial credit risk - investments  |
| U.S. Agency obligations (implicitly guaranteed) | 17,242,691        | 17,242,691            | Credit risk, interest rate risk, concentration of credit risk, custodial credit risk - investments |
| U.S. Agency obligations (explicitly guaranteed) | 38,230            | 38,230                | Interest rate risk, custodial credit risk - investments  |
| Municipal bonds                                 | 565,674           | 565,674               | Credit risk, interest rate risk, concentration of credit risk, custodial credit risk - investments |
| Corporate bonds                                 | 5,226,015         | 5,226,015             | Credit risk, interest rate risk, concentration of credit risk, custodial credit risk - investments |
| Corporate stock                                 | 5,835,523         | 5,835,523             | Concentration of credit risk, custodial credit risk - investments                                  |
| Cash on hand                                    | 3,331             | -                     | N/A  |
| Total Deposits and Investments                  | \$120,829,754     | \$121,077,994         |  |



# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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

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#### A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements

Per statement of net position

Unrestricted cash and investments \$ 37,224,638

Per statement of net position - fiduciary funds

|                                       |                |
|---------------------------------------|----------------|
| Cash                                  | 2,321,190      |
| Certificates of deposit               | 2,344,788      |
| Money market funds                    | 103,378        |
| U.S. Government and agency securities | 18,258,694     |
| Mutual funds                          | 48,949,854     |
| Domestic common stocks                | 5,835,523      |
| Corporate bonds                       | 5,226,015      |
| Municipal bonds                       | <u>565,674</u> |

Total Deposits and Investments \$120,829,754

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.

As of June 30, 2017, \$11,189,826 of the City's total bank balances were exposed to custodial credit risk as follows:

|   |                      |
|---|----------------------|
| Uninsured and uncollateralized                                      | \$ 511,931           |
| Uninsured and collateral held by the pledging financial institution | <u>10,677,895</u>    |
| Total   | <u>\$ 11,189,826</u> |

##### **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.

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**A. DEPOSITS AND INVESTMENTS (cont.)**

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

**Investments** (cont.)

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.

As of June 30, 2017, the City's investments were rated as follows:

| <u>Investment Type</u>                             | <u>Moody's<br/>Investors<br/>Services</u> |
|--|---|
| Illinois Funds                                     | Aaa                                       |
| IMET (Convenience Fund)                            | Not Rated                                 |
| IMET (1-3 Year Fund)                               | Aaa                                       |
| U.S. Agency obligations (implicitly<br>guaranteed) | Aaa                                       |

As of June 30, 2017, the Police Pension Fund's investments were rated as follows:

| <u>Investment Type</u>                             | <u>Moody's<br/>Investors<br/>Services</u> |
|--|---|
| U.S. Agency obligations (implicitly<br>guaranteed) | Aaa                                       |
| Municipal bonds                                    | Aa3-Aaa                                   |
| Corporate bonds                                    | Baa3-Aaa                                  |

As of June 30, 2017, the Firefighters' Pension Fund's investments were rated as follows:

| <u>Investment Type</u>                             | <u>Moody's<br/>Investors<br/>Services</u> |
|--|---|
| U.S. Agency obligations (implicitly<br>guaranteed) | Aaa                                       |
| Municipal bonds                                    | A2  |
| Corporate bonds                                    | Baa2-A1                                   |
| Money market mutual funds                          | Aaa-mf                                    |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**A. DEPOSITS AND INVESTMENTS (cont.)**

**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.

At June 30, 2017, the City's investment portfolio was concentrated as follows:

| Issuer                                 | Investment Type                                | Percentage of Portfolio |
|--|--|-------------------------|
| Federal National Mortgage Association  | U.S. Agency obligation (implicitly guaranteed) | 24.12%                  |
| Federal Home Loan Mortgage Corporation | U.S. Agency obligation (implicitly guaranteed) | 14.33%                  |

As of June 30, 2017, 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, 2017, 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)      | \$ 5,514,318         | \$ 5,514,318        | \$ -                | \$ -                | \$ -              |
| U.S. Treasury obligations | 3,213,313            | 2,429,587           | 783,726             | -                   | -                 |
| U.S. Agency obligations   | 9,168,920            | 279,274             | 5,402,364           | 3,343,654           | 143,628           |
| <b>Totals</b>             | <b>\$ 17,896,551</b> | <b>\$ 8,223,179</b> | <b>\$ 6,186,090</b> | <b>\$ 3,343,654</b> | <b>\$ 143,628</b> |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**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 | \$ 5,999,977         | \$ 970,328          | \$ 2,936,402        | \$ 1,499,210        | \$ 594,037          |
| U.S. Agency obligations   | 1,535,698            | 601,841             | 761,899             | 140,515             | 31,443              |
| Municipal bonds           | 247,470              | -                   | 99,718              | 31,695              | 116,057             |
| Corporate bonds           | <u>3,481,205</u>     | <u>200,453</u>      | <u>1,282,870</u>    | <u>1,217,995</u>    | <u>779,887</u>      |
| Totals                    | <u>\$ 11,264,350</u> | <u>\$ 1,772,622</u> | <u>\$ 5,080,889</u> | <u>\$ 2,889,415</u> | <u>\$ 1,521,424</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 | \$ 4,146,716         | \$ 368,446          | \$ 2,622,032        | \$ 1,156,238        | \$ -                |
| U.S. Agency obligations   | 6,576,303            | 700,819             | 3,055,560           | 1,758,586           | 1,061,338           |
| Municipal bonds           | 318,204              | -                   | -                   | 318,204             | -                   |
| Corporate bonds           | 1,744,810            | 180,992             | 775,428             | 788,390             | -                   |
| Money market mutual funds | <u>103,378</u>       | <u>103,378</u>      | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| Totals                    | <u>\$ 12,889,411</u> | <u>\$ 1,353,635</u> | <u>\$ 6,453,020</u> | <u>\$ 4,021,418</u> | <u>\$ 1,061,338</u> |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**A. DEPOSITS AND INVESTMENTS (cont.)**

***Fair Value Hierarchy***

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the City's investments are measured using the market valuation method and valuation inputs as follows:

| Investment Type           | Level 1     | Level 2              | Level 3     | Total       |
|---------------------------|-------------|----------------------|-------------|-------------|
| U.S. Treasury obligations | \$ -        | \$ 3,213,313         | \$ -        | \$ -        |
| U.S. Agency obligations   | -           | 9,168,920            | -           | -           |
| IMET (1-3 Year Fund)      | -           | 5,514,318            | -           | -           |
| Illinois Funds            | -           | 1,449,256            | -           | -           |
| <b>Totals</b>             | <b>\$ -</b> | <b>\$ 19,345,807</b> | <b>\$ -</b> | <b>\$ -</b> |

***Police Pension Fund***

| Investment Type                 | Level 1              | Level 2              | Level 3     | Total       |
|---------------------------------|----------------------|----------------------|-------------|-------------|
| U.S. Treasury obligations       | \$ -                 | \$ 5,999,977         | \$ -        | \$ -        |
| U.S. Agency obligations         | -                    | 1,535,698            | -           | -           |
| Corporate stock                 | 5,835,523            | -                    | -           | -           |
| Corporate bonds                 | -                    | 3,481,205            | -           | -           |
| Municipal bonds                 | -                    | 247,470              | -           | -           |
| Mutual funds - other than bonds | 18,934,984           | -                    | -           | -           |
| <b>Totals</b>                   | <b>\$ 24,770,507</b> | <b>\$ 11,264,350</b> | <b>\$ -</b> | <b>\$ -</b> |

***Firefighters' Pension Fund***

| Investment Type                        | Level 1              | Level 2              | Level 3     | Total       |
|--|----------------------|----------------------|-------------|-------------|
| U.S. Treasury obligations              | \$ -                 | \$ 4,146,716         | \$ -        | \$ -        |
| U.S. Agency obligations                | -                    | 6,576,303            | -           | -           |
| Corporate bonds                        | -                    | 1,744,810            | -           | -           |
| Municipal bonds                        | -                    | 318,204              | -           | -           |
| Mutual funds - other than bonds        | 30,014,870           | -                    | -           | -           |
| Money market mutual funds - bond funds | -                    | 103,378              | -           | -           |
| <b>Totals</b>                          | <b>\$ 30,014,870</b> | <b>\$ 12,889,411</b> | <b>\$ -</b> | <b>\$ -</b> |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**A. DEPOSITS AND INVESTMENTS (cont.)**

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.

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                    | \$ 2,630,842            | \$ -                  |
| License fees   | 1,849,126               | -                     |
| Grants   | 4,255                   | 126,884               |
| Stormwater fees  | 232,125                 | -                     |
| <br>Total Unearned/Unavailable Revenue for<br>Governmental Funds | <br><u>\$ 4,716,348</u> | <br><u>\$ 126,884</u> |
| <br>Unearned revenue included in liabilities                     | <br>\$ 2,085,506        |                       |
| Unearned revenue included in deferred<br>inflows                 | <br>2,630,842           |                       |
| <br>Total Unearned Revenue for Governmental<br>Funds             | <br><u>\$ 4,716,348</u> |                       |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

|  | Beginning<br>Balance | Additions           | Deletions           | Ending<br>Balance    |
|--|----------------------|---------------------|---------------------|----------------------|
| <b>Governmental Activities</b>   |                      |                     |                     |                      |
| Capital assets not being depreciated   |                      |                     |                     |                      |
| Land   | \$ 7,621,483         | \$ 245,806          | \$ -                | \$ 7,867,289         |
| Construction in progress   | 6,538,194            | 4,321,430           | 3,630,013           | 7,229,611            |
| Total Capital Assets Not Being<br>Depreciated  | <u>14,159,677</u>    | <u>4,567,236</u>    | <u>3,630,013</u>    | <u>15,096,900</u>    |
| Capital assets being depreciated   |                      |                     |                     |                      |
| Building and improvements  | 9,517,481            | 240,764             | -                   | 9,758,245            |
| Infrastructure   | 116,495,250          | 2,424,358           | -                   | 118,919,608          |
| Equipment  | 12,644,591           | 719,085             | 394,135             | 12,969,541           |
| Total Capital Assets Being<br>Depreciated  | <u>138,657,322</u>   | <u>3,384,207</u>    | <u>394,135</u>      | <u>141,647,394</u>   |
| Total Capital Assets   | <u>152,816,999</u>   | <u>7,951,443</u>    | <u>4,024,148</u>    | <u>156,744,294</u>   |
| Less: Accumulated depreciation for   |                      |                     |                     |                      |
| Building and improvements  | \$ (4,148,954)       | \$ (222,081)        | \$ -                | \$ (4,371,035)       |
| Infrastructure   | (42,434,574)         | (3,921,631)         | -                   | (46,356,205)         |
| Equipment  | (8,651,103)          | (1,075,017)         | 394,135             | (9,331,985)          |
| Total Accumulated Depreciation   | <u>(55,234,631)</u>  | <u>(5,218,729)</u>  | <u>394,135</u>      | <u>(60,059,225)</u>  |
| Net Capital Assets Being<br>Depreciated  | <u>83,422,691</u>    | <u>(1,834,522)</u>  | <u>-</u>            | <u>81,588,169</u>    |
| Total Governmental<br>Activities Capital Assets,<br>Net of Accumulated<br>Depreciation | <u>\$ 97,582,368</u> | <u>\$ 2,732,714</u> | <u>\$ 3,630,013</u> | <u>\$ 96,685,069</u> |

Depreciation expense was charged to functions as follows:

|  |                     |
|--|---------------------|
| <b>Governmental Activities</b>                     |                     |
| Public safety                                      | \$ 537,890          |
| Highways and streets                               | 4,502,490           |
| General government                                 | 153,604             |
| Urban redevelopment and housing                    | <u>24,745</u>       |
| Total Governmental Activities Depreciation Expense | <u>\$ 5,218,729</u> |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**C. CAPITAL ASSETS (cont.)**

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>         | <u>Deletions</u>         | <u>Ending<br/>Balance</u>  |
|---|------------------------------|--------------------------|--------------------------|----------------------------|
| <b>Business-type Activities</b>                               |                              |                          |                          |                            |
| Capital assets not being depreciated                          |                              |                          |                          |                            |
| Land  | \$ 3,765,739                 | \$ -                     | \$ -                     | \$ 3,765,739               |
| Construction in progress                                      | <u>381,372</u>               | <u>418,668</u>           | <u>447,286</u>           | <u>352,754</u>             |
| Total Capital Assets Not Being depreciated                    | <u>4,147,111</u>             | <u>418,668</u>           | <u>447,286</u>           | <u>4,118,493</u>           |
| Capital assets being depreciated                              |                              |                          |                          |                            |
| Buildings and improvements                                    | 7,666,949                    | 447,286                  | 2,413                    | 8,111,822                  |
| Equipment   | <u>413,394</u>               | <u>-</u>                 | <u>-</u>                 | <u>413,394</u>             |
| Total Capital Assets Being Depreciated                        | <u>8,080,343</u>             | <u>447,286</u>           | <u>2,413</u>             | <u>8,525,216</u>           |
| Total Capital Assets  | <u>12,227,454</u>            | <u>865,954</u>           | <u>449,699</u>           | <u>12,643,709</u>          |
| Less: Accumulated depreciation for                            |                              |                          |                          |                            |
| Buildings and improvements                                    | (6,014,739)                  | (191,105)                | 2,413                    | (6,203,431)                |
| Equipment   | <u>(305,572)</u>             | <u>(18,328)</u>          | <u>-</u>                 | <u>(323,900)</u>           |
| Total Accumulated Depreciation                                | <u>(6,320,311)</u>           | <u>(209,433)</u>         | <u>2,413</u>             | <u>(6,527,331)</u>         |
| Net Capital Assets Being Depreciated                          | <u>\$ 1,760,032</u>          | <u>\$ 237,853</u>        | <u>\$ -</u>              | <u>\$ 1,997,885</u>        |
| Business-type Capital Assets, Net of Accumulated Depreciation | <u><u>\$ 5,907,143</u></u>   | <u><u>\$ 656,521</u></u> | <u><u>\$ 447,286</u></u> | <u><u>\$ 6,116,378</u></u> |



**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**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:

| Receivable Fund   | Payable Fund          | Amount                    |
|---|-----------------------|---------------------------|
| General   | Nonmajor Governmental | <u>\$ 380,824</u>         |
| Total - Fund Financial Statements   |                       | 380,824                   |
| Less: Interfund receivables created with internal service fund eliminations |                       | (14,557)                  |
| Less: Government-wide eliminations  |                       | <u>(380,824)</u>          |
| Total Internal Balances - Government-Wide Statement of Net Position         |                       | <u><u>\$ (14,557)</u></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, 2017

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

***D. INTERFUND RECEIVABLES/PAYABLES (cont.)***

***Transfers***

The following is a schedule of interfund transfers:

| Fund Transferred To                                       | Fund Transferred From               | Amount              |
|---|-------------------------------------|---------------------|
| General   | Capital Improvement and Replacement | \$ 545,775          |
| General   | Vehicle and Equipment Replacement   | 50,178              |
| General   | Motor Fuel Tax                      | 28,360              |
| General   | Special Reserve                     | 37,246              |
| General   | Nonmajor Governmental               | 1,352,297           |
| General   | Motor Vehicle Parking               | 824,776             |
| Vehicle and Equipment Replacement                         | General                             | 1,478,846           |
| Vehicle and Equipment Replacement                         | Capital Improvement and Replacement | 36,025              |
| Capital Improvement and Replacement                       | General                             | 2,462,254           |
| Special Reserve   | General                             | 5,262,681           |
| Nonmajor governmental                                     | General                             | 111,270             |
| Nonmajor governmental                                     | Nonmajor governmental               | 1,871,983           |
| Nonmajor governmental                                     | Vehicle and Equipment Replacement   | <u>138,000</u>      |
| Total - Fund Financial Statements                         |                                     | 14,199,691          |
| Less: Government-wide eliminations                        |                                     | <u>(13,374,915)</u> |
| Total Transfers - Government-Wide Statement of Activities |                                     | <u>\$ 824,776</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, 2017

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

***E. LONG-TERM OBLIGATIONS***

Long-term obligations activity for the year ended June 30, 2017, was as follows:

|  | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance    | Amounts Due<br>Within One<br>Year |
|--|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| <b>Governmental Activities</b>                             |                      |                     |                     |                      |                                   |
| Bonds and Notes Payable                                    |                      |                     |                     |                      |                                   |
| General obligation debt                                    | \$ 7,565,000         | \$ -                | \$ 1,125,000        | \$ 6,440,000         | \$ 1,135,000                      |
| Loans payable  | <u>350,000</u>       | <u>-</u>            | <u>17,500</u>       | <u>332,500</u>       | <u>17,500</u>                     |
| Sub-totals   | <u>7,915,000</u>     | <u>-</u>            | <u>1,142,500</u>    | <u>6,772,500</u>     | <u>1,152,500</u>                  |
| Other Liabilities  |                      |                     |                     |                      |                                   |
| Compensated absences                                       | 1,681,470            | 1,941,766           | 1,886,244           | 1,736,992            | 1,736,992                         |
| Landfill post-closure monitoring                           | 57,300               | -                   | 28,650              | 28,650               | 28,650                            |
| Other postemployment<br>benefits                           | 665,319              | 449,333             | 73,479              | 1,041,173            | -                                 |
| Net pension liability - IMRF                               | 8,554,144            | 1,105,160           | 1,362,241           | 8,297,063            | -                                 |
| Net pension liability - Police                             | 16,004,791           | 4,957,876           | 1,230,207           | 19,732,460           | -                                 |
| Net pension liability - Fire                               | <u>8,732,709</u>     | <u>1,341,997</u>    | <u>972,622</u>      | <u>9,102,084</u>     | <u>-</u>                          |
| Total Other Liabilities                                    | <u>35,695,733</u>    | <u>9,796,132</u>    | <u>5,553,443</u>    | <u>39,938,422</u>    | <u>1,765,642</u>                  |
| Total Governmental<br>Activities Long-Term<br>Liabilities  | <u>\$ 43,610,733</u> | <u>\$ 9,796,132</u> | <u>\$ 6,695,943</u> | <u>\$ 46,710,922</u> | <u>\$ 2,918,142</u>               |
| <b>Business-type Activities</b>                            |                      |                     |                     |                      |                                   |
| Bonds and Notes Payable                                    |                      |                     |                     |                      |                                   |
| Alternative revenue note                                   | \$ 24,339            | \$ -                | \$ 24,339           | \$ -                 | \$ -                              |
| Sub-totals   | <u>24,339</u>        | <u>-</u>            | <u>24,339</u>       | <u>-</u>             | <u>-</u>                          |
| Other Liabilities  |                      |                     |                     |                      |                                   |
| Net pension liability - IMRF                               | 114,102              | 6,130               | 7,556               | 112,676              | -                                 |
| Total Other Liabilities                                    | <u>114,102</u>       | <u>6,130</u>        | <u>7,556</u>        | <u>112,676</u>       | <u>-</u>                          |
| Total Business-type<br>Activities Long-Term<br>Liabilities | <u>\$ 138,441</u>    | <u>\$ 6,130</u>     | <u>\$ 31,895</u>    | <u>\$ 112,676</u>    | <u>\$ -</u>                       |

Compensated absences, other postemployment benefits, landfill post-closure monitoring, and portions of the net pension liability, related to the Police and Firefighters' pensions, are paid out of the General Fund. The portion of net pension liability related to IMRF will be paid out of the applicable fund in which the City pays for the employees' salaries.

***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.

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**E. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

**Governmental Activities**

| <u>General Obligation Debt</u>                          | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance June 30, 2017</u> |
|---|----------------------|-----------------------|-----------------------|------------------------------|------------------------------|
| Series 2012 General Obligation Bonds                    | December 20, 2012    | January 1, 2022       | 1.43%                 | \$ 7,800,000                 | \$ 4,460,000                 |
| Series 2015 General Obligation Bonds                    | July 1, 2014         | January 1, 2024       | 1.92%                 | 2,800,000                    | <u>1,980,000</u>             |
| Total Governmental Activities - General Obligation Debt |                      |                       |                       |                              | <u>\$ 6,440,000</u>          |

Debt service requirements to maturity are as follows:

| <u>Years</u> | <u>Governmental Activities General Obligation Debt</u> |                   |
|--------------|--|-------------------|
|              | <u>Principal</u>                                       | <u>Interest</u>   |
| 2018         | \$ 1,135,000   | \$ 101,163        |
| 2019         | 1,155,000  | 85,959            |
| 2020         | 1,165,000  | 69,662            |
| 2021         | 1,185,000  | 52,260            |
| 2022         | 1,205,000  | 33,859            |
| 2023-2024    | <u>595,000</u>   | <u>21,932</u>     |
| Totals       | <u>\$ 6,440,000</u>                                    | <u>\$ 364,835</u> |

**Loans Payable**

The City entered into a loan arrangement on November 16, 2015 to purchase a fire truck. Loan payments are made out of the Vehicle and Equipment Replacement Fund.

Loans Payable at June 30, 2017 consist of the following:

| <u>Governmental Activities Loans Payable</u> | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance June 30, 2017</u> |
|--|----------------------|-----------------------|-----------------------|------------------------------|------------------------------|
| Fire truck revolving loan payable            | November 16, 2015    | November 1, 2035      | 0%                    | \$ 350,000                   | \$ <u>332,500</u>            |
| Total Governmental Activities Loans Payable  |                      |                       |                       |                              | <u>\$ 332,500</u>            |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

***E. LONG-TERM OBLIGATIONS*** (cont.)

Debt service requirements to maturity are as follows:

| <u>Years</u> | Governmental Activities<br>Loans Payable |          |
|--------------|--|----------|
|              | Principal                                | Interest |
| 2018         | \$ 17,500                                | \$ -     |
| 2019         | 17,500                                   | -        |
| 2020         | 17,500                                   | -        |
| 2021         | 17,500                                   | -        |
| 2022         | 17,500                                   | -        |
| 2023-2027    | 87,500                                   | -        |
| 2028-2032    | 87,500                                   | -        |
| 2033-2036    | 70,000                                   | -        |
| Totals       | \$ 332,500                               | \$ -     |

***Conduit Debt***

The following bonds, which are not included in the financial statements of the City, bear the City's name. These bonds are special limited obligations of nongovernmental entities. The bonds are not general obligations of the City and the City is not liable for the repayment of the bonds.

On December 30, 2015, the City issued \$10,000,000 in promissory notes for Clark-Lindsey Village, Inc. to support renovation and new construction for improving and extending the retirement facilities. Repayment of the notes are the responsibility of Clark-Lindsey Village, Inc. At the end of the fiscal year, \$9,731,512 of the note was outstanding. These notes are in addition to a similar loan issued by the City on May 20, 2004 to Clark-Lindsey Village of which there was an outstanding balance of \$2,989,089 as of the fiscal year-end.

***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 \$28,650 reported as landfill postclosure care liability at June 30, 2017, 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.

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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

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#### **G. NET POSITION**

Net position reported on the government wide statement of net position at June 30, 2017, includes the following:

##### **Governmental Activities**

|  |                      |
|--|----------------------|
| Net Investment in Capital Assets   |                      |
| Land   | \$ 7,867,289         |
| Construction in progress   | 7,229,611            |
| Other capital assets, net of accumulated depreciation                              | 81,588,169           |
| Less: Long-term debt outstanding (excluding unspent capital related debt proceeds) | <u>(6,415,751)</u>   |
| Total Net Investment in Capital Assets   | <u>\$ 90,269,318</u> |

##### **Business-type Activities**

|   |                     |
|---|---------------------|
| Net Investment in Capital Assets                      |                     |
| Land  | \$ 3,765,739        |
| Construction in progress                              | 352,754             |
| Other capital assets, net of accumulated depreciation | <u>1,997,885</u>    |
| Total Net Investment in Capital Assets                | <u>\$ 6,116,378</u> |

#### **H. COMPONENT UNIT**

##### **URBANA FREE LIBRARY**

This report contains the Urbana Free Library (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 Library follows the full accrual basis of accounting and the flow of financial resources measurement focus.

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**H. COMPONENT UNIT (cont.)**

**URBANA FREE LIBRARY (cont.)**

b. Deposits and Investments

|                                    | <u>Carrying<br/>Value</u> | <u>Statement<br/>Balances</u> | <u>Associated Risks</u>          |
|------------------------------------|---------------------------|-------------------------------|----------------------------------|
| Deposits - Library                 | \$ 2,319,026              | \$ 2,388,881                  | Custodial credit risk - deposits |
| Deposits - Foundation              | 369,996                   | 369,996                       | Custodial credit risk - deposits |
| Illinois Funds                     | 48,809                    | 48,809                        | Credit risk                      |
| Petty cash                         | <u>516</u>                | <u>-</u>                      | N/A                              |
| <br>Total Deposits and Investments | <br><u>\$ 2,738,347</u>   | <br><u>\$ 2,807,686</u>       |                                  |

**Custodial Credit Risk**

**Deposits**

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

The Library 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 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 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, 2017, the Library's investments were rated as follows:

| <u>Investment Type</u> | <u>Standard &amp;<br/>Poors</u> |
|------------------------|---------------------------------|
| Illinois Funds         | AAAm                            |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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

**H. COMPONENT UNIT (cont.)**

**URBANA FREE LIBRARY (cont.)**

c. Capital Assets

|                                | Beginning<br>Balance | Additions          | Deletions   | Ending<br>Balance   | Useful Lives<br>(Years) |
|--------------------------------|----------------------|--------------------|-------------|---------------------|-------------------------|
| Land                           | \$ 480,732           | \$ 113,630         | \$ -        | \$ 594,362          | N/A                     |
| Construction in progress       | -                    | 28,980             | -           | 28,980              | N/A                     |
| Buildings and improvements     | 10,551,983           | -                  | -           | 10,551,983          | 75                      |
| Equipment                      | 663,619              | 5,497              | -           | 669,116             | 5 - 25                  |
| Less: Accumulated depreciation | (2,615,077)          | (205,763)          | -           | (2,820,840)         |                         |
| <b>Totals</b>                  | <b>\$ 9,081,257</b>  | <b>\$ (57,656)</b> | <b>\$ -</b> | <b>\$ 9,023,601</b> |                         |

d. Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2017, was as follows:

|  | Beginning<br>Balance | Increases        | Decreases         | Ending<br>Balance | Amounts<br>Due Within<br>One Year |
|--|----------------------|------------------|-------------------|-------------------|-----------------------------------|
| Mortgage payable                         | \$ 75,000            | \$ -             | \$ 75,000         | \$ -              | \$ -                              |
| Compensated absences                     | 196,673              | 77,175           | 69,374            | 204,474           | 204,474                           |
| Other postemployment benefits obligation | 23,712               | (2,341)          | 1,541             | 19,830            | -                                 |
| <b>Totals</b>                            | <b>\$ 295,385</b>    | <b>\$ 74,834</b> | <b>\$ 145,915</b> | <b>\$ 224,304</b> | <b>\$ 204,474</b>                 |



# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### NOTE IV - OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

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.

#### **Illinois Municipal Retirement Fund**

**Plan description.** All employees (other than those covered by the Police and Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) 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 of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 3% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 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 of earnings for the first 15 years of service credit, plus 2% for each year of service after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

**Plan membership.** At December 31, 2016, the measurement date, membership in the plan was as follows:

|                               |                   |
|-------------------------------|-------------------|
| Retirees and beneficiaries    | 178               |
| Inactive, non-retired members | 116               |
| Active members                | <u>182</u>        |
| Total                         | <u><u>476</u></u> |

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Contributions.** As set by statute, City employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's actuarially determined contribution rate for calendar year 2016 was 13.21% of annual covered payroll for IMRF. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability/(Asset).** The net pension liability/(asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

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

**Actuarial Assumptions.** The total pension liability for IMRF was determined by actuarial valuations performed as of December 31, 2016 using the following actuarial methods and assumptions:

|                           |   |
|---------------------------|---|
| Actuarial cost method     | Entry Age Normal                        |
| Asset valuation method    | Market Value                            |
| Actuarial assumptions     |   |
| Investment Rate of Return | 7.50%                                   |
| Inflation                 | 3.50%                                   |
| Salary increases          | 3.75% to 14.50%,<br>including inflation |
| Price inflation           | 2.75%                                   |

**Mortality.** For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

## CITY OF URBANA

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

#### NOTE IV - OTHER INFORMATION (cont.)

##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Long-Term Expected Real Rate of Return.** The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Target Allocation | Projected Returns/Risks |                    |
|------------------------|-------------------|-------------------------|--------------------|
|                        |                   | One Year Arithmetic     | Ten Year Geometric |
| Equities               | 38.00%            | 8.30%                   | 6.85%              |
| International equities | 17.00%            | 8.45%                   | 6.75%              |
| Fixed income           | 27.00%            | 3.05%                   | 3.00%              |
| Real estate            | 8.00%             | 6.90%                   | 5.75%              |
| Alternatives           | 9.00%             |                         |                    |
| Private equity         |                   | 12.45%                  | 7.35%              |
| Hedge funds            |                   | 5.35%                   | 5.25%              |
| Commodities            |                   | 4.25%                   | 2.65%              |
| Cash equivalents       | 1.00%             | 2.25%                   | 2.25%              |

**Discount rate.** The discount rate used to measure the total pension liability for IMRF was 7.50%. The discount rate calculated using the December 31, 2015 measurement date was 7.47%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

**Discount rate sensitivity.** The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents net pension liability/(asset) of the City calculated using the discount rate of 7.50% as well as what the net pension liability/(asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

|                               | 1% Decrease          | Current Discount Rate | 1% Increase         |
|-------------------------------|----------------------|-----------------------|---------------------|
| Total pension liability       | \$ 69,500,893        | \$ 61,753,704         | \$ 55,434,054       |
| Plan fiduciary net pension    | 53,343,965           | 53,343,965            | 53,343,965          |
| Net pension liability/(asset) | <u>\$ 16,156,928</u> | <u>\$ 8,409,739</u>   | <u>\$ 2,090,089</u> |

**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**NOTE IV - OTHER INFORMATION (cont.)**

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

**Changes in net pension liability/(asset).** The changes in net pension liability/(asset) for the calendar year ended December 31, 2016 were as follows:

|   | Increase (Decrease)               |                                       |   |
|---|-----------------------------------|---------------------------------------|---|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability/(Asset)<br>(a) - (b) |
| Balances at December 31, 2015   | \$ 59,013,062                     | \$ 50,344,816                         | \$ 8,668,246                                  |
| Service cost  | 1,065,320                         | -                                     | 1,065,320                                     |
| Interest on total pension liability   | 4,346,036                         | -                                     | 4,346,036                                     |
| Differences between expected and actual experience of the total pension liability | 275,732                           | -                                     | 275,732                                       |
| Change of assumptions   | (214,733)                         | -                                     | (214,733)                                     |
| Benefit payments, including refunds of employee contributions                     | (2,731,713)                       | (2,731,713)                           | -   |
| Contributions - employer  | -                                 | 1,369,797                             | (1,369,797)                                   |
| Contributions - employee  | -                                 | 466,761                               | (466,761)                                     |
| Net investment income   | -                                 | 3,467,889                             | (3,467,889)                                   |
| Other (net transfer)  | -                                 | 426,415                               | (426,415)                                     |
| Balances at December 31, 2016   | \$ 61,753,704                     | \$ 53,343,965                         | \$ 8,409,739                                  |

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.** For the year ended June 30, 2017, the City recognized pension expense of \$2,283,255. The City reported deferred outflows and inflows of resources related to pension from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                | \$ 630,388                           | \$ 354,972                          |
| Assumption changes   | 696,931                              | 163,334                             |
| Net difference between projected and actual earnings on pension plan investments | 2,611,373                            | -                                   |
| Contributions subsequent to the measurement date                                 | 597,753                              | -                                   |
| Total  | \$ 4,536,445                         | \$ 518,306                          |

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending . The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$3,420,386) will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u>       |
|---------------------------------|---------------------|
| 2017                            | \$ 1,523,358        |
| 2018                            | 1,102,674           |
| 2019                            | 733,677             |
| 2020                            | <u>60,677</u>       |
| Total                           | <u>\$ 3,420,386</u> |

#### Police Pension

**Plan description.** 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.

As provided for in the Illinois Compiled Statutes, the Plan 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 onehalf 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, 2017

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NOTE IV - OTHER INFORMATION (cont.)

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A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Police Pension (cont.)

**Plan membership.** At June 30, 2017, the Police Pension membership consisted of:

|                               |                       |
|-------------------------------|-----------------------|
| Retirees and beneficiaries    | 52                    |
| Inactive, non-retired members | 4                     |
| Active members                | <u>57</u>             |
| <br>Total                     | <br><u><u>113</u></u> |

**Contributions.** 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. The City's actuarially determined contribution rate for the fiscal year ending June 30, 2017 was 26.76% of annual covered payroll.

**Net Pension Liability/(Asset).** The net pension liability/(asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

**Summary of Significant Accounting Policies.** The financial statements of the Police Pension Plan 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.

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, 2017

### NOTE IV - OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Police Pension (cont.)

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation performed as of June 30, 2017 using the following actuarial methods and assumptions:

|                            |                  |
|----------------------------|------------------|
| Actuarial cost method      | Entry Age Normal |
| Asset valuation method     | Market Value     |
| Actuarial assumptions      |                  |
| Interest rate              | 7.00%            |
| Inflation                  | 2.50%            |
| Projected salary increases | 2.50 - 4.25%     |
| Cost-of-living adjustments | 2.50%            |

Mortality rates were based on the Lauterbach & Amen 2016 Illinois Police Mortality Table.

**Long-term expected real rate of return.** The long-term expected rate of return on the Police Pension Plan's investments was determined using a building block method. The best estimate for future real rates of return are developed for each of the major asset classes. Future real rates of return are weighted based on the target allocation within the Plan investment policy. Expectation inflation is added back in. Adjustment is made to reflect geometric returns. Best estimated or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2017 are as follows:

| Asset Class  | Target | Long-Term<br>Expected Real<br>Rate of Return |
|--------------|--------|--|
| Equities     | 55%    | 3.3%   |
| Fixed Income | 43%    | 1.2%   |
| Cash         | 2%     | -%   |

Illinois Compiled Statutes (ILCS) limit the Plan's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

**Discount rate.** The discount rate used to measure the total pension liability for the Police Pension Plan was 7.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CITY OF URBANA

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

#### NOTE IV - OTHER INFORMATION (cont.)

##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Police Pension (cont.)

**Discount rate sensitivity.** The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

|                             | 1% Decrease   | Current<br>Discount Rate | 1% Increase   |
|-----------------------------|---------------|--------------------------|---------------|
| Total pension liability     | \$ 65,866,161 | \$ 57,327,818            | \$ 50,431,585 |
| Plan fiduciary net position | 37,595,358    | 37,595,358               | 37,595,358    |
| Net pension liability       | \$ 28,270,803 | \$ 19,732,460            | \$ 12,836,227 |

**Changes in net pension liability/(asset).** The City's changes in net pension liability/(asset) for the calendar year ended June 30, 2017 was as follows:

|  | Increase (Decrease)               |                                       |   |
|--|-----------------------------------|---------------------------------------|---|
|  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability/Asset<br>(a) - (b) |
| Balances at June 30, 2016  | \$ 50,967,232                     | \$ 34,962,441                         | \$ 16,004,791                               |
| Service cost   | 1,053,158                         | -                                     | 1,053,158                                   |
| Interest on total pension liability  | 3,485,734                         | -                                     | 3,485,734                                   |
| Differences between expected and actual<br>experience of the total pension liability | 4,777,112                         | -                                     | 4,777,112                                   |
| Change of assumptions  | (613,367)                         | -                                     | (613,367)                                   |
| Benefit payments, including refunds of employee<br>contributions                     | (2,342,051)                       | (2,342,051)                           | -   |
| Contributions - employer   | -                                 | 1,230,207                             | (1,230,207)                                 |
| Contributions - employee   | -                                 | 442,500                               | (442,500)                                   |
| Net investment income  | -                                 | 3,356,407                             | (3,356,407)                                 |
| Administration   | -                                 | (54,146)                              | 54,146                                      |
| Balances at June 30, 2017  | \$ 57,327,818                     | \$ 37,595,358                         | \$ 19,732,460                               |



**CITY OF URBANA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**NOTE IV - OTHER INFORMATION (cont.)**

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

**Police Pension (cont.)**

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.** For the year ended June 30, 2017, the City recognized pension expense of \$2,656,499. The City reported deferred outflows and inflows of resources related to pension from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                | \$ 4,119,107                         | \$ 2,914,387                        |
| Assumption changes   | 1,996,298                            | 528,881                             |
| Net difference between projected and actual earnings on pension plan investments | 1,619,681                            | 747,488                             |
| Total  | \$ 7,735,086                         | \$ 4,190,756                        |

The amounts reported as deferred outflows and inflows of resources related to pensions (\$3,544,330) will be recognized in pension expense as follows:

| Year Ending June 30, | Amount       |
|----------------------|--------------|
| 2018                 | \$ 928,008   |
| 2019                 | 928,009      |
| 2020                 | 350,157      |
| 2021                 | 42,006       |
| 2022                 | 573,519      |
| Thereafter           | 722,631      |
| Total                | \$ 3,544,330 |

**Firefighters' Pension**

**Plan description.** 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.

As provided for in the Illinois Compiled Statutes, the Firefighters' Pension Plan 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 Plan as provided for in Illinois Compiled Statutes.

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Firefighters' Pension (cont.)

*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.

**Plan membership.** At June 30, 2017, the Firefighters' Pension Plan membership consisted of:

|                               |                   |
|-------------------------------|-------------------|
| Retirees and beneficiaries    | 51                |
| Inactive, non-retired members | 5                 |
| Active members                | <u>55</u>         |
| Total                         | <u><u>111</u></u> |

**Contributions.** Participants contribute a fixed percentage of their base salary to the plans. At June 30, 2017, 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. The City's actuarially determined contribution rate for the fiscal year ending June 30, 2017 was 22.95% of annual covered payroll.

**Net pension liability/(asset).** The net pension liability/(asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Firefighters' Pension (cont.)

**Summary of significant accounting policies.** The financial statements of the Firefighters' Pension Plan 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.

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.

**Actuarial assumptions.** The total pension liability was determined by an actuarial valuation performed as of June 30, 2017 using the following actuarial methods and assumptions:

|                            |                  |
|----------------------------|------------------|
| Actuarial cost method      | Entry Age Normal |
| Asset valuation method     | Market Value     |
| Actuarial assumptions      |                  |
| Interest rate              | 7.00%            |
| Inflation                  | 2.50%            |
| Projected salary increases | 4.25 - 7.19%     |
| Cost-of-living adjustments | 2.50%            |

Mortality rates were based on the Lauterbach & Amen 2016 Illinois Firefighters Mortality Table.

## CITY OF URBANA

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

#### NOTE IV - OTHER INFORMATION (cont.)

##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Firefighters' Pension (cont.)

**Long-term expected real rate of return.** The long-term expected rate of return on the Firefighters' Pension Plan's investments was determined using a building block method. The best estimate for future real rates of return are developed for each of the major asset classes. Future real rates of return are weighted based on the target allocation within the Plan investment policy. Expectation inflation is added back in. Adjustment is made to reflect geometric returns. Best estimated or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2017 are as follows:

| Asset Class              | Target | Long-Term<br>Expected Real<br>Rate of Return |
|--------------------------|--------|--|
| U.S. Government/Agencies | 15%    | 0.8%   |
| Certificates of Deposit  | 10%    | 0.1%   |
| Municipal Bonds          | 5%     | -%   |
| Corporate Bonds          | 5%     | 0.2%   |
| Equity                   | 65%    | 3.5%   |

Illinois Compiled Statutes (ILCS) limit the Plan's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

**Discount rate.** The discount rate used to measure the total pension liability for the Firefighters' Pension Plan was 7.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments.

**Discount rate sensitivity.** The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

|                             | 1% Decrease          | Current<br>Discount Rate | 1% Increase         |
|-----------------------------|----------------------|--------------------------|---------------------|
| Total pension liability     | \$ 63,160,681        | \$ 55,207,805            | \$ 48,728,464       |
| Plan fiduciary net position | <u>46,105,721</u>    | <u>46,105,721</u>        | <u>46,105,721</u>   |
| Net pension liability       | <u>\$ 17,054,960</u> | <u>\$ 9,102,084</u>      | <u>\$ 2,622,743</u> |

## CITY OF URBANA

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

#### NOTE IV - OTHER INFORMATION (cont.)

##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Firefighters' Pension (cont.)

**Changes in net pension liability/(asset).** The City's changes in net pension liability/(asset) for the calendar year ended June 30, 2017 was as follows:

|  | Increase (Decrease)        |                                |                                |
|--|----------------------------|--------------------------------|--------------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability/Asset |
|  | (a)                        | (b)                            | (a) - (b)                      |
| Balances at June 30, 2016  | \$ 50,437,879              | \$ 41,705,170                  | \$ 8,732,709                   |
| Service cost   | 1,041,804                  | -                              | 1,041,804                      |
| Interest on total pension liability  | 3,451,343                  | -                              | 3,451,343                      |
| Differences between expected and actual<br>experience of the total pension liability | 1,990,332                  | -                              | 1,990,332                      |
| Change of assumptions  | 552,401                    | -                              | 552,401                        |
| Benefit payments, including refunds of employee<br>contributions                     | (2,265,954)                | (2,265,954)                    | -                              |
| Contributions - employer   | -                          | 972,622                        | (972,622)                      |
| Contributions - employee   | -                          | 402,966                        | (402,966)                      |
| Net investment income  | -                          | 5,327,069                      | (5,327,069)                    |
| Administration   | -                          | (36,152)                       | 36,152                         |
| Balances at June 30, 2017  | \$ 55,207,805              | \$ 46,105,721                  | \$ 9,102,084                   |

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.** For the year ended June 30, 2017, the City recognized pension expense of \$2,201,529. The City reported deferred outflows and inflows of resources related to pension from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources <sup>5</sup> |
|---|--------------------------------------|--|
| Difference between expected and actual experience                                   | \$ 1,698,065                         | \$ 464,824                                       |
| Assumption changes  | 2,183,511                            | -  |
| Net difference between projected and actual earnings on pension<br>plan investments | 1,918,667                            | 1,952,107  |
| Total   | \$ 5,800,243                         | \$ 2,416,931                                     |

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Firefighters' Pension (cont.)

The amounts reported as deferred outflows and inflows of resources related to pensions (\$3,383,312) will be recognized in pension expense as follows:

| Year Ending June 30, | Amount              |
|----------------------|---------------------|
| 2018                 | \$ 962,129          |
| 2019                 | 962,131             |
| 2020                 | 652,837             |
| 2021                 | 130,403             |
| 2022                 | 373,384             |
| Thereafter           | <u>302,428</u>      |
| Total                | <u>\$ 3,383,312</u> |

#### 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, 2017

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### NOTE IV - OTHER INFORMATION (cont.)

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#### **B. RISK MANAGEMENT** (cont.)

##### **Self Insurance** (cont.)

##### **Claims Liability**

|  | <u>Prior Year</u> | <u>Current Year</u> |
|--|-------------------|---------------------|
| Unpaid claims - Beginning of Year            | \$ 567,741        | \$ 464,290          |
| Current year claims and changes in estimates | 216,805           | 228,543             |
| Claim payments                               | <u>(320,256)</u>  | <u>(483,489)</u>    |
| Unpaid Claims - End of Year                  | <u>\$ 464,290</u> | <u>\$ 209,344</u>   |

#### **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, 2017. 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 \$19,776 in payments to the system in fiscal year 2017. 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, 2017

**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               | \$ | 459,528                 |
| Interest on net OPEB obligation            |    | 26,066                  |
| Adjustment to annual required contribution |    | <u>(36,261)</u>         |
| Annual OPEB cost                           |    | 449,333                 |
| Contributions made                         |    | <u>(73,479)</u>         |
| Increase in net OPEB obligation            |    | 375,854                 |
| Net OPEB Obligation - Beginning of Year    |    | <u>665,319</u>          |
| Net OPEB Obligation - End of Year          | \$ | <u><u>1,041,173</u></u> |



## CITY OF URBANA

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

#### **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 2017 were as follows:

| Fiscal Year Ended | Annual OPEB<br>Cost | Percentage of<br>Annual OPEB<br>Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------------|---------------------|---|------------------------|
| June 30, 2015     | \$ 215,678          | 45%   | \$ 547,550             |
| June 30, 2016     | 215,678             | 45%   | 665,319                |
| June 30, 2017     | 449,333             | 16%   | 1,041,173              |

The funded status of the plan as of June 30, 2017, the most recent actuarial valuation date, was as follows:

|   |    |            |
|---|----|------------|
| Actuarial accrued liability (AAL)                 | \$ | 2,968,608  |
| Actuarial value of plan assets                    |    | -          |
| Unfunded Actuarial Accrued Liability (UAAL)       | \$ | 2,968,608  |
| Funded ratio (actuarial value of plan assets/AAL) |    | -%         |
| Covered payroll (active plan members)             | \$ | 19,266,685 |
| UAAL as a percentage of covered payroll           |    | 15%        |

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, 2017

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### **NOTE IV - OTHER INFORMATION (cont.)**

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#### ***E. OTHER POSTEMPLOYMENT BENEFITS (cont.)***

In the June 30, 2017 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 9% initially, reduced by decrements to an ultimate rate of 6% after 10 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, 2017, was 30 years.

#### ***F. 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, 2017

### NOTE IV - OTHER INFORMATION (cont.)

#### G. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City is disclosing all abatement agreements individually.

The City through its Tax Incremental Financing Districts (TIFD) has entered into tax abatement agreements with a developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the individual development agreements which are approved by City Council. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

| <u>Agreement Description</u>             | <u>Calculation Method</u>  | <u>Developer Commitment</u>   | <u>2017 Payments</u> |
|--|--|---|----------------------|
| Archorent (Creative Thermal)             | 70% of property taxes due to incremental value; 10 years or until maximum of \$1,400,000                 | Owners must pay property taxes to the County before receiving the rebates | \$ 85,129            |
| Five Points NW                           | 80% of property taxes due to incremental value for retail and 50% for non-retail; ends at end of CY 2022 | Owners must pay property taxes to the County before receiving the rebates | 167,927              |
| Interchange Properties, LLC (O'Brien)    | 36% of property taxes due to incremental value; 15 years   | Owners must pay property taxes to the County before receiving the rebates | 95,033               |
| Central Illinois Soccer Enterprises, LLC | 70% of property taxes due to incremental value; 10 years or until maximum of \$300,000                   | Owners must pay property taxes to the County before receiving the rebates | 97,179               |
| Omicare Labs                             | 50% of property taxes due to incremental value; 10 years - FY2017 is final payment                       | Owners must pay property taxes to the County before receiving the rebates | 998                  |

# CITY OF URBANA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

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### NOTE IV - OTHER INFORMATION (cont.)

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#### G. TAX ABATEMENT (cont.)

| <u>Agreement Description</u> | <u>Calculation Method</u>   | <u>Developer Commitment</u>   | <u>2017 Payments</u> |
|------------------------------|---|---|----------------------|
| Baku Patel                   | 50% of property taxes due to incremental value; 10 years, maximum of \$75,000 | Owners must pay property taxes to the County before receiving the rebates | \$ 5,915             |
| Racing Waters, LLC           | 80% of property taxes due to incremental value; 10 years                      | Owners must pay property taxes to the County before receiving the rebates | 86,260               |

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

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

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*

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

**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, 2017

|   | Budgeted Amounts  |                   | Actual            |
|---|-------------------|-------------------|-------------------|
|   | Original          | Final             |                   |
| <b>REVENUES</b>                         |                   |                   |                   |
| Property taxes                          | \$ 4,271,110      | \$ 4,200,546      | \$ 4,103,878      |
| Local sales and use taxes               | 5,322,300         | 5,140,700         | 5,106,616         |
| Utility taxes                           | 2,879,000         | 3,130,600         | 3,092,460         |
| Telecommunication taxes                 | 913,770           | 710,600           | 718,146           |
| Hotel/motel taxes                       | 1,111,300         | 908,333           | 962,672           |
| State income tax                        | 4,207,500         | 3,577,300         | 3,900,767         |
| Personal property replacement tax       | 297,677           | 257,161           | 337,548           |
| State sales and use taxes               | 6,184,200         | 6,146,100         | 6,009,817         |
| Other intergovernmental                 | 2,550,519         | 2,553,334         | 2,548,878         |
| State aid - law enforcement improvement | -                 | 11,737            | 11,737            |
| Licenses, fines, and service charges    | 2,908,270         | 2,840,637         | 2,901,435         |
| Investment income                       | 101,100           | 75,250            | 25,490            |
| Total Revenues                          | <u>30,746,746</u> | <u>29,552,298</u> | <u>29,719,444</u> |
| <b>EXPENDITURES</b>                     |                   |                   |                   |
| <b>GENERAL GOVERNMENT</b>               |                   |                   |                   |
| Executive                               |                   |                   |                   |
| Personnel services                      | 1,946,377         | 1,959,327         | 1,902,968         |
| Materials and supplies                  | 23,497            | 23,090            | 18,194            |
| Other services and charges              | <u>1,310,801</u>  | <u>1,423,661</u>  | <u>1,105,512</u>  |
| Total executive                         | <u>3,280,675</u>  | <u>3,406,078</u>  | <u>3,026,674</u>  |
| Finance                                 |                   |                   |                   |
| Personnel services                      | 966,406           | 975,020           | 975,126           |
| Materials and supplies                  | 43,707            | 30,282            | 25,100            |
| Other services and charges              | <u>622,708</u>    | <u>365,258</u>    | <u>299,079</u>    |
| Total finance                           | <u>1,632,821</u>  | <u>1,370,560</u>  | <u>1,299,305</u>  |
| City Clerk                              |                   |                   |                   |
| Personnel services                      | 221,528           | 218,595           | 213,448           |
| Materials and supplies                  | 2,880             | 4,680             | 4,071             |
| Other services and charges              | <u>25,162</u>     | <u>23,270</u>     | <u>19,990</u>     |
| Total city clerk                        | <u>249,570</u>    | <u>246,545</u>    | <u>237,509</u>    |
| Legislative                             |                   |                   |                   |
| Personnel services                      | 48,815            | 48,815            | 48,815            |
| Materials and supplies                  | 750               | 500               | 103               |
| Other services and charges              | <u>6,500</u>      | <u>6,750</u>      | <u>1,335</u>      |
| Total legislative                       | <u>56,065</u>     | <u>56,065</u>     | <u>50,253</u>     |
| Total General government                | <u>5,219,131</u>  | <u>5,079,248</u>  | <u>4,613,741</u>  |

**CITY OF URBANA**

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
For the year ended June 30, 2017

|   | <u>Budgeted Amounts</u>   |                           |                         |
|---|---------------------------|---------------------------|-------------------------|
|   | <u>Original</u>           | <u>Final</u>              | <u>Actual</u>           |
| <b>PUBLIC SAFETY</b>  |                           |                           |                         |
| Police  |                           |                           |                         |
| Personnel services  | \$ 7,756,931              | \$ 7,670,530              | \$ 7,310,594            |
| Materials and services  | 150,143                   | 163,614                   | 140,238                 |
| Other services and charges                                    | <u>1,378,346</u>          | <u>1,384,578</u>          | <u>1,246,897</u>        |
| Total police  | <u>9,285,420</u>          | <u>9,218,722</u>          | <u>8,697,729</u>        |
| Fire  |                           |                           |                         |
| Personnel services  | 6,714,547                 | 6,675,338                 | 6,683,170               |
| Materials and supplies  | 117,395                   | 112,195                   | 106,200                 |
| Other services and charges                                    | <u>716,068</u>            | <u>706,312</u>            | <u>674,279</u>          |
| Total fire  | <u>7,548,010</u>          | <u>7,493,845</u>          | <u>7,463,649</u>        |
| Total Public Safety   | <u>16,833,430</u>         | <u>16,712,567</u>         | <u>16,161,378</u>       |
| <b>HIGHWAYS AND STREETS</b>                                   |                           |                           |                         |
| Personnel services  | 4,902,881                 | 4,842,383                 | 4,728,385               |
| Materials and supplies  | 574,774                   | 592,906                   | 398,104                 |
| Other services and charges                                    | 1,776,615                 | 1,856,815                 | 1,572,873               |
| Contractual services  | <u>12,610</u>             | <u>12,610</u>             | <u>2,810</u>            |
| Total Highways and Streets                                    | <u>7,266,880</u>          | <u>7,304,714</u>          | <u>6,702,172</u>        |
| <b>URBAN REDEVELOPMENT AND HOUSING</b>                        |                           |                           |                         |
| Personnel services  | 1,485,190                 | 1,423,175                 | 1,366,349               |
| Materials and supplies  | 32,320                    | 52,710                    | 43,308                  |
| Other services and charges                                    | 311,058                   | 305,241                   | 253,250                 |
| Contractual services  | <u>500</u>                | <u>500</u>                | <u>-</u>                |
| Total Urban redevelopment and housing                         | <u>1,829,068</u>          | <u>1,781,626</u>          | <u>1,662,907</u>        |
| <br>Total Expenditures  | <br><u>31,148,509</u>     | <br><u>30,878,155</u>     | <br><u>29,140,198</u>   |
| <br>Excess (deficiency) of revenues over (under) expenditures | <br><u>(401,763)</u>      | <br><u>(1,325,857)</u>    | <br><u>579,246</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                           |                           |                         |
| Transfers in  | 2,535,547                 | 2,839,934                 | 2,838,632               |
| Transfers out   | <u>(3,969,204)</u>        | <u>(9,315,051)</u>        | <u>(9,315,051)</u>      |
| Total Other Financing Sources (Uses)                          | <u>(1,433,657)</u>        | <u>(6,475,117)</u>        | <u>(6,476,419)</u>      |
| <br><b>Net Change in Fund Balance</b>                         | <br><u>\$ (1,835,420)</u> | <br><u>\$ (7,800,974)</u> | <br><u>(5,897,173)</u>  |
| <br><b>FUND BALANCE - Beginning of Year</b>                   |                           |                           | <br><u>15,697,506</u>   |
| <br><b>FUND BALANCE - END OF YEAR</b>                         |                           |                           | <br><u>\$ 9,800,333</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, 2017

|   | Budgeted Amounts   |                     | Actual              |
|---|--------------------|---------------------|---------------------|
|   | Original           | Final               |                     |
| <b>REVENUES</b>   |                    |                     |                     |
| Intergovernmental   | \$ -               | \$ -                | \$ 1,230            |
| Licenses, fines, and service charges                      | 130,000            | 64,318              | 74,250              |
| Investment income   | 61,750             | 51,095              | 19,986              |
| Total Revenues  | <u>191,750</u>     | <u>115,413</u>      | <u>95,466</u>       |
| <b>EXPENDITURES</b>                                       |                    |                     |                     |
| Public Safety - Police                                    |                    |                     |                     |
| Personnel services  | 70,000             | 40,000              | 20,000              |
| Materials and services                                    | 1,285,159          | 974,416             | 414,373             |
| Contractual services                                      | 15,022             | 15,562              | 16,673              |
| Total public safety - police                              | <u>1,370,181</u>   | <u>1,029,978</u>    | <u>451,046</u>      |
| Public Safety - Fire                                      |                    |                     |                     |
| Materials and supplies                                    | 143,176            | 145,664             | 63,989              |
| Total public safety - fire                                | <u>143,176</u>     | <u>145,664</u>      | <u>63,989</u>       |
| Capital Outlay  | 118,525            | 564,852             | 188,261             |
| Debt Service  |                    |                     |                     |
| Principal   | -                  | -                   | 17,500              |
| Total debt service  | -                  | -                   | 17,500              |
| Total Expenditures  | <u>1,631,882</u>   | <u>1,740,494</u>    | <u>720,796</u>      |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,440,132)</u> | <u>(1,625,081)</u>  | <u>(625,330)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                    |                     |                     |
| Transfers in  | 2,251,367          | 1,514,871           | 1,514,871           |
| Transfers out   | -                  | (188,178)           | (188,178)           |
| Total Other Financing Sources (Uses)                      | <u>2,251,367</u>   | <u>1,326,693</u>    | <u>1,326,693</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ 811,235</u>  | <u>\$ (298,388)</u> | 701,363             |
| <b>FUND BALANCE - Beginning of Year</b>                   |                    |                     | <u>6,670,218</u>    |
| <b>FUND BALANCE - END OF YEAR</b>                         |                    |                     | <u>\$ 7,371,581</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, 2017

|   | Budgeted Amounts    |                       | Actual              |
|---|---------------------|-----------------------|---------------------|
|   | Original            | Final                 |                     |
| <b>REVENUES</b>                         |                     |                       |                     |
| Property taxes                          | \$ 941,565          | \$ 991,376            | \$ 964,365          |
| Investment income                       | 18,000              | 15,000                | 4,926               |
| Total Revenues                          | <u>959,565</u>      | <u>1,006,376</u>      | <u>969,291</u>      |
| <b>EXPENDITURES</b>                     |                     |                       |                     |
| Urban Redevelopment and Housing         |                     |                       |                     |
| Personnel services                      | 149,936             | 149,936               | 132,280             |
| Contractual services                    | <u>607,647</u>      | <u>667,647</u>        | <u>460,551</u>      |
| Total urban redevelopment and housing   | <u>757,583</u>      | <u>817,583</u>        | <u>592,831</u>      |
| Capital Outlay                          | <u>965,000</u>      | <u>1,793,371</u>      | <u>647,140</u>      |
| Total Expenditures                      | <u>1,722,583</u>    | <u>2,610,954</u>      | <u>1,239,971</u>    |
| <b>Net Change in Fund Balance</b>       | <u>\$ (763,018)</u> | <u>\$ (1,604,578)</u> | (270,680)           |
| <b>FUND BALANCE - Beginning of Year</b> |                     |                       | <u>2,353,164</u>    |
| <b>FUND BALANCE - END OF YEAR</b>       |                     |                       | <u>\$ 2,082,484</u> |

## CITY OF URBANA

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL RESERVE FUND For the Year Ended June 30, 2017

|   | Budgeted Amounts  |                     | Actual              |
|---|-------------------|---------------------|---------------------|
|   | Original          | Final               |                     |
| <b>REVENUES</b>   |                   |                     |                     |
| Intergovernmental   | \$ 1,500          | \$ 2,000            | \$ 3,450            |
| Licenses, fines, and service charges                      | 113,600           | 119,962             | 98,247              |
| Investment income   | 100               | 100                 | 94                  |
| Total Revenues  | <u>115,200</u>    | <u>122,062</u>      | <u>101,791</u>      |
| <b>EXPENDITURES</b>                                       |                   |                     |                     |
| Urban Redevelopment and Housing                           |                   |                     |                     |
| Personnel services  | 56,546            | 58,264              | 50,415              |
| Contractual services                                      | <u>61,315</u>     | <u>58,706</u>       | <u>57,124</u>       |
| Total urban redevelopment and housing                     | <u>117,861</u>    | <u>116,970</u>      | <u>107,539</u>      |
| Total Expenditures  | <u>117,861</u>    | <u>116,970</u>      | <u>107,539</u>      |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,661)</u>    | <u>5,092</u>        | <u>(5,748)</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                   |                     |                     |
| Transfers in  | -                 | 5,262,681           | 5,262,681           |
| Transfers out   | -                 | <u>(37,246)</u>     | <u>(37,246)</u>     |
| Total Other Financing Sources (Uses)                      | -                 | <u>5,225,435</u>    | <u>5,225,435</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (2,661)</u> | <u>\$ 5,230,527</u> | 5,219,687           |
| <b>FUND BALANCE - Beginning of Year</b>                   |                   |                     | <u>115,658</u>      |
| <b>FUND BALANCE - END OF YEAR</b>                         |                   |                     | <u>\$ 5,335,345</u> |

**CITY OF URBANA**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
 SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY  
 AND RELATED RATIOS  
 Three Most Recent Fiscal Years

|   | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          |
|---|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>  |                      |                      |                      |
| Service cost  | \$ 1,112,513         | \$ 1,089,547         | \$ 1,065,320         |
| Interest  | 3,785,492            | 4,201,414            | 4,346,036            |
| Differences between expected and actual experience                                  | 1,297,327            | (662,826)            | 275,732              |
| Changes of assumptions  | 2,034,739            | 69,408               | (214,733)            |
| Benefit payments, including refunds of member contributions                         | <u>(2,429,671)</u>   | <u>(2,616,681)</u>   | <u>(2,731,713)</u>   |
| <b>Net change in total pension liability</b>  | 5,800,400            | 2,080,862            | 2,740,642            |
| <b>Total pension liability - beginning</b>  | <u>51,131,800</u>    | <u>56,932,200</u>    | <u>59,013,062</u>    |
| <b>Total pension liability - ending (a)</b>   | <u>\$ 56,932,200</u> | <u>\$ 59,013,062</u> | <u>\$ 61,753,704</u> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |
| Employer contributions  | \$ 1,305,023         | \$ 1,269,129         | \$ 1,369,797         |
| Employee contributions  | 492,715              | 458,147              | 466,761              |
| Net investment income   | 2,897,188            | 249,334              | 3,467,889            |
| Benefit payments, including refunds of member contributions                         | (2,429,671)          | (2,616,681)          | (2,731,713)          |
| Other (net transfer)  | <u>235,392</u>       | <u>673,394</u>       | <u>426,415</u>       |
| <b>Net change in plan fiduciary net position</b>                                    | 2,500,647            | 33,323               | 2,999,149            |
| <b>Plan fiduciary net position - beginning</b>                                      | <u>47,810,846</u>    | <u>50,311,493</u>    | <u>50,344,816</u>    |
| <b>Plan fiduciary net position - ending (b)</b>                                     | <u>\$ 50,311,493</u> | <u>\$ 50,344,816</u> | <u>\$ 53,343,965</u> |
| <b>Employer's net pension liability - ending (a) - (b)</b>                          | <u>\$ 6,620,707</u>  | <u>\$ 8,668,246</u>  | <u>\$ 8,409,739</u>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b>   | 88.37%               | 85.31%               | 86.38%               |
| <b>Covered-employee payroll</b>   | \$ 10,237,128        | \$ 9,991,290         | \$ 10,372,480        |
| <b>Employer's net pension liability as a percentage of covered-employee payroll</b> | 64.67%               | 86.76%               | 81.08%               |

**Notes to Schedule:**

The District implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available. Actuary valuations are as of December 31st, which is 6 months prior to the end of the fiscal year.

**CITY OF URBANA**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
Three Most Recent Fiscal Years

|  | <u>2015</u>        | <u>2016</u>        | <u>2017</u>        |
|--|--------------------|--------------------|--------------------|
| Actuarially determined contribution                                  | \$ 1,264,285       | \$ 1,254,906       | \$ 1,350,497       |
| Contributions in relation to the actuarially determined contribution | <u>(1,305,023)</u> | <u>(1,269,129)</u> | <u>(1,369,797)</u> |
| Contribution deficiency (excess)                                     | <u>\$ (40,738)</u> | <u>\$ (14,223)</u> | <u>\$ (19,300)</u> |
| Covered-employee payroll   | \$ 10,237,128      | \$ 9,991,290       | \$ 10,372,480      |
| Contributions as a percentage of covered-employee payroll            | 12.75%             | 12.70%             | 13.21%             |

**Notes to Schedule:**

The District implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 each year, which are 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Aggregate Entry age normal   |
| Amortization method           | Level percentage of payroll, closed  |
| Remaining amortization period | 27 years   |
| Asset valuation method        | 5-Year Smoothed Market, 20% corridor   |
| Inflation                     |  |
| Salary increases              | 3.75% to 14.50%, including inflation   |
| Investment rate of return     |  |
| Retirement Age                | Experience-based table of rates that are specific to the type of eligibility condition |
| Mortality                     | RP-2014 Employee Mortality Table, adjusted to match current IMRF experience            |

Other information:

There were no benefit changes during the year.

**CITY OF URBANA  
POLICE PENSION FUND**

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
Last Four Fiscal Years

|   | 2014                 | 2015                 | 2016                 | 2017                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>  |                      |                      |                      |                      |
| Service cost  | \$ 1,202,918         | \$ 1,194,543         | \$ 1,085,728         | \$ 1,053,158         |
| Interest  | 3,084,785            | 3,228,731            | 3,541,423            | 3,485,734            |
| Differences between expected and actual experience                                | (136,267)            | (610,133)            | (4,005,503)          | 4,777,112            |
| Changes of assumptions  | -                    | 1,761,301            | 1,937,667            | (613,367)            |
| Benefit payments, including refunds of member contributions                       | (1,971,517)          | (2,209,086)          | (2,196,232)          | (2,342,051)          |
| <b>Net change in total pension liability</b>                                      | 2,179,919            | 3,365,356            | 363,083              | 6,360,586            |
| <b>Total pension liability - beginning</b>  | 45,058,874           | 47,238,793           | 50,604,149           | 50,967,232           |
| <b>Total pension liability - ending (a)</b>                                       | <u>\$ 47,238,793</u> | <u>\$ 50,604,149</u> | <u>\$ 50,967,232</u> | <u>\$ 57,327,818</u> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |
| Employer contributions  | \$ 2,254,203         | \$ 1,850,383         | \$ 1,396,843         | \$ 1,230,207         |
| Employee contributions  | 393,954              | 416,575              | 444,105              | 442,500              |
| Net investment income   | 3,673,877            | 632,290              | 861,378              | 3,356,407            |
| Benefit payments, including refunds of member contributions                       | (1,971,517)          | (2,209,086)          | (2,196,232)          | (2,342,051)          |
| Administration  | (33,074)             | (33,421)             | (60,788)             | (54,146)             |
| <b>Net change in plan fiduciary net position</b>                                  | 4,317,443            | 656,741              | 445,306              | 2,632,917            |
| <b>Plan fiduciary net position - beginning</b>                                    | 29,542,951           | 33,860,394           | 34,517,135           | 34,962,441           |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <u>\$ 33,860,394</u> | <u>\$ 34,517,135</u> | <u>\$ 34,962,441</u> | <u>\$ 37,595,358</u> |
| <b>City's net pension liability - ending (a) - (b)</b>                            | <u>\$ 13,378,399</u> | <u>\$ 16,087,014</u> | <u>\$ 16,004,791</u> | <u>\$ 19,732,460</u> |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | 71.68%               | 68.21%               | 68.60%               | 65.58%               |
| <b>Covered-employee payroll</b>   | \$ 4,124,681         | \$ 4,111,495         | \$ 4,481,382         | \$ 4,597,710         |
| <b>City's net pension liability as a percentage of covered-employee payroll</b>   | 324.35%              | 391.27%              | 357.14%              | 429.18%              |

**Notes to Schedule:**

The Police Pension Plan implemented GASB Statement No. 67 in fiscal year 2014. The City implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2014 is not available.

**CITY OF URBANA**  
**POLICE PENSION FUND**  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Last Ten Fiscal Years

|  | 2008                | 2009                | 2010                | 2011                |
|--|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                  | \$ 1,243,507        | \$ 1,225,637        | \$ 1,381,577        | \$ 1,500,579        |
| Contributions in relation to the actuarially determined contribution | 1,680,480           | 1,604,475           | 1,783,576           | 1,981,806           |
| Contribution deficiency (excess)                                     | <u>\$ (436,973)</u> | <u>\$ (378,838)</u> | <u>\$ (401,999)</u> | <u>\$ (481,227)</u> |
| Covered-employee payroll   | \$ 3,392,030        | \$ 3,516,159        | \$ 3,485,147        | \$ 3,547,806        |
| Contributions as a percentage of covered-employee payroll            | 49.54%              | 45.63%              | 51.18%              | 55.86%              |

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal                                       |
| Amortization method           | Level percentage of pay, closed                        |
| Remaining amortization period | 16 years   |
| Asset valuation method        | Market   |
| Inflation                     | 2.50%  |
| Salary increases              | 2.5% - 4.25%   |
| Investment rate of return     | 7.00%, including inflation, net of investment expenses |
| Mortality                     | Lauterbach & Amen 2016 Illinois Police Mortality Rates |

|    | 2012      | 2013         | 2014         | 2015         | 2016         | 2017         |
|----|-----------|--------------|--------------|--------------|--------------|--------------|
| \$ | 1,524,579 | \$ 1,648,164 | \$ 1,642,577 | \$ 1,642,577 | \$ 1,619,190 | \$ 1,721,661 |
|    | 1,980,275 | 2,138,159    | 2,254,203    | 1,850,383    | 1,396,843    | 1,230,207    |
| \$ | (455,696) | \$ (489,995) | \$ (611,626) | \$ (207,806) | \$ 222,347   | \$ 491,454   |
| \$ | 3,859,220 | \$ 3,972,920 | \$ 4,124,681 | \$ 4,111,495 | \$ 4,481,382 | \$ 4,597,710 |
|    | 51.31%    | 53.82%       | 54.65%       | 45.01%       | 31.17%       | 26.76%       |

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
Last Four Fiscal Years

|   | 2014                 | 2015                 | 2016                 | 2017                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>  |                      |                      |                      |                      |
| Service cost  | \$ 1,214,058         | \$ 1,196,507         | \$ 1,168,377         | \$ 1,041,804         |
| Interest  | 2,893,786            | 3,002,629            | 3,275,512            | 3,451,343            |
| Differences between expected and actual experience                                  | (521,056)            | (17,671)             | (686,638)            | 1,990,332            |
| Changes of assumptions  | -                    | 685,724              | 2,156,908            | 552,401              |
| Benefit payments, including refunds of member contributions                         | (1,991,181)          | (2,072,600)          | (2,201,873)          | (2,265,954)          |
| <b>Net change in total pension liability</b>  | <b>1,595,607</b>     | <b>2,794,589</b>     | <b>3,712,286</b>     | <b>4,769,926</b>     |
| <b>Total pension liability - beginning</b>  | <b>42,335,397</b>    | <b>43,931,004</b>    | <b>46,725,593</b>    | <b>50,437,879</b>    |
| <b>Total pension liability - ending (a)</b>   | <b>\$ 43,931,004</b> | <b>\$ 46,725,593</b> | <b>\$ 50,437,879</b> | <b>\$ 55,207,805</b> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |
| Employer contributions  | \$ 1,517,629         | \$ 1,236,008         | \$ 1,038,747         | \$ 972,622           |
| Employee contributions  | 350,475              | 374,389              | 402,718              | 402,966              |
| Net investment income   | 5,208,327            | 1,954,325            | 313,386              | 5,327,069            |
| Benefit payments, including refunds of member contributions                         | (1,991,181)          | (2,072,600)          | (2,201,873)          | (2,265,954)          |
| Administration  | (37,219)             | (36,908)             | (43,824)             | (36,152)             |
| <b>Net change in plan fiduciary net position</b>                                    | <b>5,048,031</b>     | <b>1,455,214</b>     | <b>(490,846)</b>     | <b>4,400,551</b>     |
| <b>Plan fiduciary net position - beginning</b>                                      | <b>35,692,771</b>    | <b>40,740,802</b>    | <b>42,196,016</b>    | <b>41,705,170</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                     | <b>\$ 40,740,802</b> | <b>\$ 42,196,016</b> | <b>\$ 41,705,170</b> | <b>\$ 46,105,721</b> |
| <b>Employer's net pension liability - ending (a) - (b)</b>                          | <b>\$ 3,190,202</b>  | <b>\$ 4,529,577</b>  | <b>\$ 8,732,709</b>  | <b>\$ 9,102,084</b>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b>   | 92.74%               | 90.31%               | 82.69%               | 83.51%               |
| <b>Covered-employee payroll</b>   | \$ 3,777,788         | \$ 3,942,216         | \$ 4,063,754         | \$ 4,237,345         |
| <b>Employer's net pension liability as a percentage of covered-employee payroll</b> | 84.45%               | 114.90%              | 214.89%              | 214.81%              |

**Notes to Schedule:**

The Firefighters' Pension Plan implemented GASB Statement No. 67 in fiscal year 2014. The City implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2014 is not available. The net pension liability is reported on the statement of net position beginning in fiscal year 2015.



**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Last Ten Fiscal Years

|  | 2008                | 2009                | 2010                | 2011                | 2012                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                  | \$ 777,163          | \$ 1,025,535        | \$ 1,133,720        | \$ 1,220,290        | \$ 1,182,977        |
| Contributions in relation to the actuarially determined contribution | 961,372             | 1,251,695           | 1,372,080           | 1,463,810           | 1,403,306           |
| Contribution deficiency (excess)                                     | <u>\$ (184,209)</u> | <u>\$ (226,160)</u> | <u>\$ (238,360)</u> | <u>\$ (243,520)</u> | <u>\$ (220,329)</u> |
| Covered-employee payroll   | \$ 3,012,087        | \$ 3,249,911        | \$ 3,319,469        | \$ 3,414,250        | \$ 2,645,435        |
| Contributions as a percentage of covered-employee payroll            | 31.92%              | 38.51%              | 41.33%              | 42.87%              | 53.05%              |

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level percentage of payroll, closed                          |
| Remaining amortization period | 16 years   |
| Asset valuation method        | Market   |
| Inflation                     | 2.5%   |
| Salary increases              | 4.25% - 7.19%  |
| Investment rate of return     | 7.00%, including inflation, net of investment expenses       |
| Mortality                     | Lauterbach & Amen 2016 Illinois Firefighters Mortality Rates |

|    | <b>2013</b> | <b>2014</b>  | <b>2015</b>  | <b>2016</b>  | <b>2017</b>  |
|----|-------------|--------------|--------------|--------------|--------------|
| \$ | 1,245,665   | \$ 1,179,662 | \$ 1,179,662 | \$ 1,117,736 | \$ 1,082,119 |
|    | 1,482,369   | 1,517,629    | 1,236,008    | 1,038,747    | 972,622      |
| \$ | (236,704)   | \$ (337,967) | \$ (56,346)  | \$ 78,989    | \$ 109,497   |
| \$ | 3,872,621   | \$ 3,777,788 | \$ 3,942,216 | \$ 4,063,754 | \$ 4,237,345 |
|    | 38.28%      | 40.17%       | 31.35%       | 25.56%       | 22.95%       |

**CITY OF URBANA**

OTHER POSTEMPLOYMENT BENEFITS  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS  
 June 30, 2017

| <u>Year Ended</u> | <u>Annual<br/>Required<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|-------------------|---|-----------------------------------|
| 6/30/17           | \$ 467,154                                  | 16%                               |
| 6/30/16           | 219,662                                     | 46%                               |
| 6/30/15           | 219,662                                     | 46%                               |
| 6/30/14           | 215,185                                     | 51%                               |
| 6/30/13           | 157,630                                     | 71%                               |
| 6/30/12           | 125,767                                     | 46%                               |

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial Value<br/>of Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>- Entry Age<br/>(b)</u> | <u>Unfunded AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Funded<br/>Ratio<br/>(a/b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((b-a)/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 6/30/17                                 | \$ -   | \$ 3,030,890   | \$ 3,030,890                             | 0%                                | \$ 20,929,041                      | 14%  |
| 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%                                | 14,449,682                         | 12%  |

The information presented above includes the Urbana Free Library.

# CITY OF URBANA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

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### ***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.

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.

**SUPPLEMENTARY INFORMATION**

**CITY OF URBANA**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of June 30, 2017

|  | Special Revenue  |                                     |                                  |   |
|--|------------------|-------------------------------------|----------------------------------|---|
|  | Social Services  | Special<br>Community<br>Development | HOME<br>Community<br>Development | Community<br>Development<br>Block Grant |
| <b>ASSETS</b>  |                  |                                     |                                  |   |
| Cash and investments   | \$ 50,990        | \$ -                                | \$ -                             | \$ -                                    |
| Receivables  |                  |                                     |                                  |   |
| Property taxes   | -                | -                                   | -                                | -                                       |
| Other taxes  | -                | -                                   | -                                | -                                       |
| Accounts   | -                | -                                   | -                                | -                                       |
| Grants   | -                | 383,900                             | 316,231                          | 92,090                                  |
|  | <u>-</u>         | <u>383,900</u>                      | <u>316,231</u>                   | <u>92,090</u>                           |
| <b>TOTAL ASSETS</b>  | <u>\$ 50,990</u> | <u>\$ 383,900</u>                   | <u>\$ 316,231</u>                | <u>\$ 92,090</u>                        |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b>           |                  |                                     |                                  |   |
| Liabilities  |                  |                                     |                                  |   |
| Accounts payable   | \$ 19,950        | \$ 31,522                           | \$ 29,242                        | \$ 12,037                               |
| Accrued salaries and taxes   | -                | 5,019                               | -                                | -                                       |
| Due to other funds   | -                | 66,174                              | 229,163                          | 78,356                                  |
| Unearned revenues  | -                | 129,608                             | -                                | -                                       |
| Total Liabilities  | <u>19,950</u>    | <u>232,323</u>                      | <u>258,405</u>                   | <u>90,393</u>                           |
| Deferred Inflows of Resources  |                  |                                     |                                  |   |
| Property taxes levied for future periods   | -                | -                                   | -                                | -                                       |
| Unavailable revenues for grants  | -                | 50,000                              | 76,884                           | -                                       |
| Total Deferred Inflows of Resources  | <u>-</u>         | <u>50,000</u>                       | <u>76,884</u>                    | <u>-</u>                                |
| Fund Balances (Deficit)  |                  |                                     |                                  |   |
| Restricted for urban housing and<br>development                                    | -                | -                                   | -                                | 1,697                                   |
| Restricted for public safety   | -                | -                                   | -                                | -                                       |
| Restricted for highways and streets  | -                | -                                   | -                                | -                                       |
| Committed for capital projects   | -                | -                                   | -                                | -                                       |
| Assigned for public safety   | -                | -                                   | -                                | -                                       |
| Assigned for urban housing and<br>development                                      | -                | 101,577                             | -                                | -                                       |
| Assigned for social services   | 31,040           | -                                   | -                                | -                                       |
| Assigned for workers' compensation   | -                | -                                   | -                                | -                                       |
| Assigned for public television   | -                | -                                   | -                                | -                                       |
| Unassigned   | -                | -                                   | (19,058)                         | -                                       |
| Total Fund Balances (deficit)  | <u>31,040</u>    | <u>101,577</u>                      | <u>(19,058)</u>                  | <u>1,697</u>                            |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES, AND<br/>FUND BALANCES</b> | <u>\$ 50,990</u> | <u>\$ 383,900</u>                   | <u>\$ 316,231</u>                | <u>\$ 92,090</u>                        |

| Special Revenue                    |                                    |                   |                   |                     |                   |                   |
|------------------------------------|------------------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| Tax Increment Financing District 1 | Tax Increment Financing District 2 | Post TIF Escrow   | Central TIF       | Insurance Financing | Recycling         | Public Television |
| \$ -                               | \$ 1,428,660                       | \$ 217,328        | \$ 345,591        | \$ 2,354,138        | \$ 754,623        | \$ 167,446        |
| -                                  | 672,131                            | -                 | 2,991             | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | 81,916            | -                 |
| -                                  | 50,000                             | -                 | -                 | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| <u>\$ -</u>                        | <u>\$ 2,150,791</u>                | <u>\$ 217,328</u> | <u>\$ 348,582</u> | <u>\$ 2,354,138</u> | <u>\$ 836,539</u> | <u>\$ 167,446</u> |
| \$ -                               | \$ -                               | \$ -              | \$ 125,463        | \$ -                | \$ 62,618         | \$ -              |
| -                                  | 942                                | -                 | -                 | -                   | 6,071             | 2,142             |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | 500               | -                 |
| -                                  | 942                                | -                 | 125,463           | -                   | 69,189            | 2,142             |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| -                                  | 520,159                            | -                 | 2,661             | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| -                                  | 520,159                            | -                 | 2,661             | -                   | -                 | -                 |
| -                                  | 1,629,690                          | 217,328           | 220,458           | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | 767,350           | -                 |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | -                 | -                 |
| -                                  | -                                  | -                 | -                 | 2,354,138           | -                 | -                 |
| -                                  | -                                  | -                 | -                 | -                   | -                 | 165,304           |
| -                                  | 1,629,690                          | 217,328           | 220,458           | 2,354,138           | 767,350           | 165,304           |
| <u>\$ -</u>                        | <u>\$ 2,150,791</u>                | <u>\$ 217,328</u> | <u>\$ 348,582</u> | <u>\$ 2,354,138</u> | <u>\$ 836,539</u> | <u>\$ 167,446</u> |

# CITY OF URBANA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of June 30, 2017

|  | Special Revenue   |                        | Capital<br>Projects            | Total Nonmajor<br>Governmental<br>Funds |
|--|-------------------|------------------------|--------------------------------|---|
|  | Police Records    | Emergency<br>Solutions | Sanitary Sewer<br>Construction |   |
| <b>ASSETS</b>  |                   |                        |                                |   |
| Cash and investments   | \$ 110,942        | \$ -                   | \$ 835,570                     | \$ 6,265,288                            |
| Receivables  |                   |                        |                                |   |
| Property taxes   | -                 | -                      | -                              | 675,122                                 |
| Other taxes  | -                 | -                      | 319,898                        | 401,814                                 |
| Accounts   | -                 | -                      | -                              | 50,000                                  |
| Grants   | -                 | -                      | -                              | 792,221                                 |
|  | -                 | -                      | -                              | 792,221                                 |
| <b>TOTAL ASSETS</b>  | <b>\$ 110,942</b> | <b>\$ -</b>            | <b>\$ 1,155,468</b>            | <b>\$ 8,184,445</b>                     |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                   |                        |                                |   |
| Liabilities  |                   |                        |                                |   |
| Accounts payable   | \$ 500            | \$ 20,507              | \$ 15,705                      | \$ 317,544                              |
| Accrued salaries and taxes   | 1,401             | -                      | -                              | 15,575                                  |
| Due to other funds   | -                 | 7,131                  | -                              | 380,824                                 |
| Unearned revenues  | -                 | -                      | 94,304                         | 224,412                                 |
| Total Liabilities  | 1,901             | 27,638                 | 110,009                        | 938,355                                 |
| Deferred Inflows of Resources  |                   |                        |                                |   |
| Property taxes levied for future periods                                   | -                 | -                      | -                              | 522,820                                 |
| Unavailable revenues for grants  | -                 | -                      | -                              | 126,884                                 |
| Total Deferred Inflows of Resources  | -                 | -                      | -                              | 649,704                                 |
| Fund Balances (Deficit)  |                   |                        |                                |   |
| Restricted for urban housing and development                               | -                 | -                      | -                              | 2,069,173                               |
| Restricted for public safety   | 73,135            | -                      | -                              | 73,135                                  |
| Restricted for highways and streets  | -                 | -                      | -                              | 767,350                                 |
| Committed for capital projects   | -                 | -                      | 1,045,459                      | 1,045,459                               |
| Assigned for public safety   | 35,906            | -                      | -                              | 35,906                                  |
| Assigned for urban housing and development                                 | -                 | -                      | -                              | 101,577                                 |
| Assigned for social services   | -                 | -                      | -                              | 31,040                                  |
| Assigned for workers' compensation   | -                 | -                      | -                              | 2,354,138                               |
| Assigned for public television   | -                 | -                      | -                              | 165,304                                 |
| Unassigned   | -                 | (27,638)               | -                              | (46,696)                                |
| Total Fund Balances (deficit)  | 109,041           | (27,638)               | 1,045,459                      | 6,596,386                               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 110,942</b> | <b>\$ -</b>            | <b>\$ 1,155,468</b>            | <b>\$ 8,184,445</b>                     |



**CITY OF URBANA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

|   | Special Revenue    |                                     |                                  |   |
|---|--------------------|-------------------------------------|----------------------------------|---|
|   | Social<br>Services | Special<br>Community<br>Development | HOME<br>Community<br>Development | Community<br>Development<br>Block Grant |
| <b>REVENUES</b>                                   |                    |                                     |                                  |   |
| Property taxes                                    | \$ -               | \$ -                                | \$ -                             | \$ -                                    |
| Other taxes                                       | -                  | -                                   | -                                | -                                       |
| Intergovernmental                                 | -                  | 453,082                             | 498,083                          | 385,507                                 |
| Licenses, fines, and service charges              | -                  | 114,323                             | 8,182                            | 290                                     |
| Investment income                                 | (69)               | 392                                 | -                                | -                                       |
| Miscellaneous                                     | -                  | 14,095                              | -                                | -                                       |
| Total Revenues                                    | <u>(69)</u>        | <u>581,892</u>                      | <u>506,265</u>                   | <u>385,797</u>                          |
| <b>EXPENDITURES</b>                               |                    |                                     |                                  |   |
| Current   |                    |                                     |                                  |   |
| General government                                | 70,000             | -                                   | -                                | -                                       |
| Public safety                                     | -                  | -                                   | -                                | -                                       |
| Highways and streets                              | -                  | -                                   | -                                | -                                       |
| Urban redevelopment and housing                   | -                  | 773,199                             | 449,879                          | 153,665                                 |
| Capital Outlay                                    | -                  | -                                   | -                                | -                                       |
| Debt Service                                      |                    |                                     |                                  |   |
| Principal   | -                  | -                                   | -                                | -                                       |
| Interest and fiscal charges                       | -                  | -                                   | -                                | -                                       |
| Total Expenditures                                | <u>70,000</u>      | <u>773,199</u>                      | <u>449,879</u>                   | <u>153,665</u>                          |
| Excess (deficiency) of revenues over expenditures | <u>(70,069)</u>    | <u>(191,307)</u>                    | <u>56,386</u>                    | <u>232,132</u>                          |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                    |                                     |                                  |   |
| Transfers in                                      | 65,000             | 327,591                             | -                                | -                                       |
| Transfers out                                     | -                  | -                                   | (88,661)                         | (218,208)                               |
| Total Other Financing Sources (Uses)              | <u>65,000</u>      | <u>327,591</u>                      | <u>(88,661)</u>                  | <u>(218,208)</u>                        |
| <b>Net Change in Fund Balances</b>                | (5,069)            | 136,284                             | (32,275)                         | 13,924                                  |
| FUND BALANCES (DEFICIT) - Beginning of Year       | <u>36,109</u>      | <u>(34,707)</u>                     | <u>13,217</u>                    | <u>(12,227)</u>                         |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>      | <u>\$ 31,040</u>   | <u>\$ 101,577</u>                   | <u>\$ (19,058)</u>               | <u>\$ 1,697</u>                         |

Special Revenue

| Tax Increment<br>Financing<br>District 1 | Tax Increment<br>Financing<br>District 2 | Post TIF<br>Escrow | Central TIF       | Insurance<br>Financing | Recycling         | Public<br>Television |
|--|--|--------------------|-------------------|------------------------|-------------------|----------------------|
| \$ 240,661                               | \$ 1,353,487                             | \$ 30,770          | \$ 2,168          | \$ -                   | \$ -              | \$ -                 |
| -  | -  | -                  | -                 | -                      | -                 | -                    |
| -  | -  | -                  | -                 | -                      | -                 | -                    |
| -  | -  | -                  | -                 | -                      | 1,339,994         | 152,526              |
| (4,720)                                  | (4,728)                                  | -                  | 5,965             | 3,850                  | (2,245)           | 83                   |
| -  | 1,055                                    | 7,118              | -                 | -                      | -                 | -                    |
| <u>235,941</u>                           | <u>1,349,814</u>                         | <u>37,888</u>      | <u>8,133</u>      | <u>3,850</u>           | <u>1,337,749</u>  | <u>152,609</u>       |
| -  | -  | -                  | -                 | -                      | -                 | 149,002              |
| -  | -  | -                  | -                 | -                      | -                 | -                    |
| -  | -  | -                  | -                 | -                      | 1,486,244         | -                    |
| 91,386                                   | 382,150                                  | 284,287            | 533,512           | -                      | -                 | -                    |
| -  | (3,134)                                  | -                  | 137,443           | -                      | 6,777             | 739                  |
| -  | 855,000                                  | -                  | -                 | -                      | -                 | -                    |
| -  | 76,005                                   | -                  | -                 | -                      | -                 | -                    |
| <u>91,386</u>                            | <u>1,310,021</u>                         | <u>284,287</u>     | <u>670,955</u>    | <u>-</u>               | <u>1,493,021</u>  | <u>149,741</u>       |
| <u>144,555</u>                           | <u>39,793</u>                            | <u>(246,399)</u>   | <u>(662,822)</u>  | <u>3,850</u>           | <u>(155,272)</u>  | <u>2,868</u>         |
| -  | 181,779                                  | 499,333            | 883,280           | -                      | -                 | 138,000              |
| (681,112)                                | (912,755)                                | (35,606)           | -                 | (380,000)              | (108,981)         | -                    |
| <u>(681,112)</u>                         | <u>(730,976)</u>                         | <u>463,727</u>     | <u>883,280</u>    | <u>(380,000)</u>       | <u>(108,981)</u>  | <u>138,000</u>       |
| (536,557)                                | (691,183)                                | 217,328            | 220,458           | (376,150)              | (264,253)         | 140,868              |
| <u>536,557</u>                           | <u>2,320,873</u>                         | <u>-</u>           | <u>-</u>          | <u>2,730,288</u>       | <u>1,031,603</u>  | <u>24,436</u>        |
| <u>\$ -</u>                              | <u>\$ 1,629,690</u>                      | <u>\$ 217,328</u>  | <u>\$ 220,458</u> | <u>\$ 2,354,138</u>    | <u>\$ 767,350</u> | <u>\$ 165,304</u>    |

**CITY OF URBANA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

|   | Special Revenue   |                     | Capital Projects            | Total Nonmajor Governmental Funds |
|---|-------------------|---------------------|-----------------------------|-----------------------------------|
|   | Police Records    | Emergency Solutions | Sanitary Sewer Construction |                                   |
| <b>REVENUES</b>                                   |                   |                     |                             |                                   |
| Property taxes                                    | \$ -              | \$ -                | \$ -                        | \$ 1,627,086                      |
| Other taxes                                       | -                 | -                   | 1,333,403                   | 1,333,403                         |
| Intergovernmental                                 | 123,484           | 51,652              | -                           | 1,511,808                         |
| Licenses, fines, and service charges              | -                 | -                   | -                           | 1,615,315                         |
| Investment income                                 | 346               | (20)                | 2,479                       | 1,333                             |
| Miscellaneous                                     | -                 | -                   | -                           | 22,268                            |
| <b>Total Revenues</b>                             | <u>123,830</u>    | <u>51,632</u>       | <u>1,335,882</u>            | <u>6,111,213</u>                  |
| <b>EXPENDITURES</b>                               |                   |                     |                             |                                   |
| Current   |                   |                     |                             |                                   |
| General government                                | -                 | -                   | -                           | 219,002                           |
| Public safety                                     | 106,150           | -                   | -                           | 106,150                           |
| Highways and streets                              | -                 | -                   | 70,147                      | 1,556,391                         |
| Urban redevelopment and housing                   | -                 | 29,827              | -                           | 2,697,905                         |
| Capital Outlay                                    | -                 | -                   | 159,458                     | 301,283                           |
| Debt Service                                      |                   |                     |                             |                                   |
| Principal   | -                 | -                   | -                           | 855,000                           |
| Interest and fiscal charges                       | -                 | -                   | -                           | 76,005                            |
| <b>Total Expenditures</b>                         | <u>106,150</u>    | <u>29,827</u>       | <u>229,605</u>              | <u>5,811,736</u>                  |
| Excess (deficiency) of revenues over expenditures | <u>17,680</u>     | <u>21,805</u>       | <u>1,106,277</u>            | <u>299,477</u>                    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                     |                             |                                   |
| Transfers in                                      | 26,270            | -                   | -                           | 2,121,253                         |
| Transfers out                                     | (23,076)          | (722)               | (775,159)                   | (3,224,280)                       |
| <b>Total Other Financing Sources (Uses)</b>       | <u>3,194</u>      | <u>(722)</u>        | <u>(775,159)</u>            | <u>(1,103,027)</u>                |
| <b>Net Change in Fund Balances</b>                | 20,874            | 21,083              | 331,118                     | (803,550)                         |
| FUND BALANCES (DEFICIT) - Beginning of Year       | <u>88,167</u>     | <u>(48,721)</u>     | <u>714,341</u>              | <u>7,399,936</u>                  |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>      | <u>\$ 109,041</u> | <u>\$ (27,638)</u>  | <u>\$ 1,045,459</u>         | <u>\$ 6,596,386</u>               |

## CITY OF URBANA

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SOCIAL SERVICES FUND For the Year Ended June 30, 2017

|   | Budgeted Amounts |                   | Actual           |
|---|------------------|-------------------|------------------|
|   | Original         | Final             |                  |
| <b>REVENUES</b>   |                  |                   |                  |
| Investment income   | \$ 500           | \$ 500            | \$ (69)          |
| Total Revenues  | <u>500</u>       | <u>500</u>        | <u>(69)</u>      |
| <b>EXPENDITURES</b>                                       |                  |                   |                  |
| General Government  |                  |                   |                  |
| Contractual services                                      | 65,000           | 74,143            | 70,000           |
| Total general government                                  | <u>65,000</u>    | <u>74,143</u>     | <u>70,000</u>    |
| Total Expenditures  | <u>65,000</u>    | <u>74,143</u>     | <u>70,000</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>(64,500)</u>  | <u>(73,643)</u>   | <u>(70,069)</u>  |
| <b>OTHER FINANCING SOURCES</b>                            |                  |                   |                  |
| Transfers in  | 65,000           | 65,000            | 65,000           |
| Total Other Financing Sources                             | <u>65,000</u>    | <u>65,000</u>     | <u>65,000</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ 500</u>    | <u>\$ (8,643)</u> | (5,069)          |
| <b>FUND BALANCE - Beginning of Year</b>                   |                  |                   | <u>36,109</u>    |
| <b>FUND BALANCE - END OF YEAR</b>                         |                  |                   | <u>\$ 31,040</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, 2017

|   | Budgeted Amounts   |                    | Actual            |
|---|--------------------|--------------------|-------------------|
|   | Original           | Final              |                   |
| <b>REVENUES</b>   |                    |                    |                   |
| Intergovernmental   | \$ 491,720         | \$ 236,791         | \$ 453,082        |
| Licenses, fines, and service charges                      | 151,750            | 169,146            | 114,323           |
| Investment income   | 1,875              | 985                | 392               |
| Miscellaneous   | -                  | 12,185             | 14,095            |
| Total Revenues  | <u>645,345</u>     | <u>419,107</u>     | <u>581,892</u>    |
| <b>EXPENDITURES</b>                                       |                    |                    |                   |
| Urban Redevelopment and Housing                           |                    |                    |                   |
| Personnel services  | 317,132            | 324,988            | 315,507           |
| Materials and supplies                                    | 500                | 1,250              | 270               |
| Contractual services                                      | 715,821            | 493,667            | 456,149           |
| Other services and charges                                | -                  | 1,750              | 1,273             |
| Total urban redevelopment and housing                     | <u>1,033,453</u>   | <u>821,655</u>     | <u>773,199</u>    |
| Total Expenditures  | <u>1,033,453</u>   | <u>821,655</u>     | <u>773,199</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>(388,108)</u>   | <u>(402,548)</u>   | <u>(191,307)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                    |                    |                   |
| Transfers in  | 332,344            | 335,444            | 327,591           |
| Transfers out   | <u>(3,635)</u>     | <u>(1,866)</u>     | <u>-</u>          |
| Total Other Financing Sources (Uses)                      | <u>328,709</u>     | <u>333,578</u>     | <u>327,591</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (59,399)</u> | <u>\$ (68,970)</u> | 136,284           |
| <b>FUND BALANCE (DEFICIT) - Beginning of Year</b>         |                    |                    | <u>(34,707)</u>   |
| <b>FUND BALANCE - END OF YEAR</b>                         |                    |                    | <u>\$ 101,577</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, 2017

|   | Budgeted Amounts    |                    | Actual             |
|---|---------------------|--------------------|--------------------|
|   | Original            | Final              |                    |
| <b>REVENUES</b>   |                     |                    |                    |
| Intergovernmental   | \$ 1,676,166        | \$ 550,000         | \$ 498,083         |
| Licenses, fines, and service charges                      | 25,000              | 20,000             | 8,182              |
| Total Revenues  | <u>1,701,166</u>    | <u>570,000</u>     | <u>506,265</u>     |
| <b>EXPENDITURES</b>                                       |                     |                    |                    |
| Urban Redevelopment and Housing                           |                     |                    |                    |
| Materials and supplies                                    | 1,500               | 1,500              | 389                |
| Contractual services                                      | <u>1,822,085</u>    | <u>531,450</u>     | <u>449,490</u>     |
| Total urban redevelopment and housing                     | <u>1,823,585</u>    | <u>532,950</u>     | <u>449,879</u>     |
| Total Expenditures  | <u>1,823,585</u>    | <u>532,950</u>     | <u>449,879</u>     |
| Excess (deficiency) of revenues over (under) expenditures | <u>(122,419)</u>    | <u>37,050</u>      | <u>56,386</u>      |
| <b>OTHER FINANCING USES</b>                               |                     |                    |                    |
| Transfers out   | <u>(127,791)</u>    | <u>(130,891)</u>   | <u>(88,661)</u>    |
| Total Other Financing Uses                                | <u>(127,791)</u>    | <u>(130,891)</u>   | <u>(88,661)</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (250,210)</u> | <u>\$ (93,841)</u> | <u>(32,275)</u>    |
| <b>FUND BALANCE - Beginning of Year</b>                   |                     |                    | <u>13,217</u>      |
| <b>FUND BALANCE (DEFICIT) - END OF YEAR</b>               |                     |                    | <u>\$ (19,058)</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, 2017

|   | Budgeted Amounts |                  | Actual           |
|---|------------------|------------------|------------------|
|   | Original         | Final            |                  |
| <b>REVENUES</b>                                   |                  |                  |                  |
| Intergovernmental                                 | \$ 821,198       | \$ 641,134       | \$ 385,507       |
| Licenses, fines, and service charges              | 3,000            | 3,000            | 290              |
| Total Revenues                                    | <u>824,198</u>   | <u>644,134</u>   | <u>385,797</u>   |
| <b>EXPENDITURES</b>                               |                  |                  |                  |
| Urban Redevelopment and Housing                   |                  |                  |                  |
| Materials and supplies                            | 500              | 250              | 60               |
| Contractual services                              | <u>516,140</u>   | <u>443,420</u>   | <u>153,605</u>   |
| Total urban redevelopment and housing             | <u>516,640</u>   | <u>443,670</u>   | <u>153,665</u>   |
| Capital Outlay                                    | <u>125,000</u>   | -                | -                |
| Total Expenditures                                | <u>641,640</u>   | <u>443,670</u>   | <u>153,665</u>   |
| Excess of revenues over expenditures              | <u>182,558</u>   | <u>200,464</u>   | <u>232,132</u>   |
| <b>OTHER FINANCING USES</b>                       |                  |                  |                  |
| Transfers out                                     | <u>(179,558)</u> | <u>(181,964)</u> | <u>(218,208)</u> |
| Total Other Financing Uses                        | <u>(179,558)</u> | <u>(181,964)</u> | <u>(218,208)</u> |
| <b>Net Change in Fund Balance</b>                 | <u>\$ 3,000</u>  | <u>\$ 18,500</u> | 13,924           |
| <b>FUND BALANCE (DEFICIT) - Beginning of Year</b> |                  |                  | <u>(12,227)</u>  |
| <b>FUND BALANCE - END OF YEAR</b>                 |                  |                  | <u>\$ 1,697</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, 2017

|   | Budgeted Amounts    |                     | Actual           |
|---|---------------------|---------------------|------------------|
|   | Original            | Final               |                  |
| <b>REVENUES</b>   |                     |                     |                  |
| Property taxes  | \$ 317,554          | \$ 247,516          | \$ 240,661       |
| Investment income   | 5,400               | 1,129               | (4,720)          |
| Total Revenues  | <u>322,954</u>      | <u>248,645</u>      | <u>235,941</u>   |
| <b>EXPENDITURES</b>                                       |                     |                     |                  |
| Urban Redevelopment and Housing                           |                     |                     |                  |
| Personnel services  | 77,116              | 16,806              | 16,806           |
| Contractual services                                      | <u>558,197</u>      | <u>74,580</u>       | <u>74,580</u>    |
| Total urban redevelopment and housing                     | <u>635,313</u>      | <u>91,386</u>       | <u>91,386</u>    |
| Capital Outlay  | <u>25,000</u>       | -                   | -                |
| Total Expenditures  | <u>660,313</u>      | <u>91,386</u>       | <u>91,386</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>(337,359)</u>    | <u>157,259</u>      | <u>144,555</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                     |                     |                  |
| Transfers in  | 141,100             | -                   | -                |
| Transfers out   | <u>(35,705)</u>     | <u>(681,112)</u>    | <u>(681,112)</u> |
| Total Other Financing Sources (Uses)                      | <u>105,395</u>      | <u>(681,112)</u>    | <u>(681,112)</u> |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (231,964)</u> | <u>\$ (523,853)</u> | (536,557)        |
| <b>FUND BALANCE - Beginning of Year</b>                   |                     |                     | <u>536,557</u>   |
| <b>FUND BALANCE - END OF YEAR</b>                         |                     |                     | <u>\$ -</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, 2017

|   | Budgeted Amounts    |                       | Actual              |
|---|---------------------|-----------------------|---------------------|
|   | Original            | Final                 |                     |
| <b>REVENUES</b>   |                     |                       |                     |
| Property taxes  | \$ 1,369,782        | \$ 1,442,247          | \$ 1,353,487        |
| Investment income   | 24,000              | 20,000                | (4,728)             |
| Miscellaneous revenues                                    | -                   | 1,055                 | 1,055               |
| Total Revenues  | <u>1,393,782</u>    | <u>1,463,302</u>      | <u>1,349,814</u>    |
| <b>EXPENDITURES</b>                                       |                     |                       |                     |
| Urban Redvelopemnt and Housing                            |                     |                       |                     |
| Personnel services  | 49,983              | 110,292               | 79,465              |
| Contractual services                                      | <u>443,582</u>      | <u>370,530</u>        | <u>302,685</u>      |
| Total urban redvelopemnt and housing                      | <u>493,565</u>      | <u>480,822</u>        | <u>382,150</u>      |
| Debt Service  |                     |                       |                     |
| Principal   | 855,000             | 855,000               | 855,000             |
| Interest and fiscal charges                               | <u>76,005</u>       | <u>76,005</u>         | <u>76,005</u>       |
| Total debt service  | <u>931,005</u>      | <u>931,005</u>        | <u>931,005</u>      |
| Capital Outlay  | -                   | 88,571                | (3,134)             |
| Total Expenditures  | <u>1,424,570</u>    | <u>1,500,398</u>      | <u>1,310,021</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>(30,788)</u>     | <u>(37,096)</u>       | <u>39,793</u>       |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                     |                       |                     |
| Transfers in  | -                   | 181,779               | 181,779             |
| Transfers out   | <u>(171,051)</u>    | <u>(1,505,231)</u>    | <u>(912,755)</u>    |
| Total Other Financing Sources (Uses)                      | <u>(171,051)</u>    | <u>(1,323,452)</u>    | <u>(730,976)</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (201,839)</u> | <u>\$ (1,360,548)</u> | (691,183)           |
| <b>FUND BALANCE - Beginning of Year</b>                   |                     |                       | <u>2,320,873</u>    |
| <b>FUND BALANCE - END OF YEAR</b>                         |                     |                       | <u>\$ 1,629,690</u> |

**CITY OF URBANA**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - POST TIF ESCROW FUND  
For the Year Ended June 30, 2017

|   | Budgeted Amounts |           | Actual     |
|---|------------------|-----------|------------|
|   | Original         | Final     |            |
| <b>REVENUES</b>   |                  |           |            |
| Property taxes  | \$ -             | \$ 70,039 | \$ 30,770  |
| Investment income   | -                | 500       | -          |
| Miscellaneous   | -                | 7,118     | 7,118      |
| Total Revenues  | -                | 77,657    | 37,888     |
| <b>EXPENDITURES</b>                                       |                  |           |            |
| Urban Redevelopment and Housing                           |                  |           |            |
| Distributions to other governments                        | -                | 284,287   | 284,287    |
| Other services and charges                                | -                | 249,479   | -          |
| Total urban redevelopment and housing                     | -                | 533,766   | 284,287    |
| Total Expenditures  | -                | 533,766   | 284,287    |
| Excess (deficiency) of revenues over (under) expenditures | -                | (456,109) | (246,399)  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                  |           |            |
| Transfers in  | -                | 499,333   | 499,333    |
| Transfers out   | -                | (35,606)  | (35,606)   |
| Total Other Financing Sources (Uses)                      | -                | 463,727   | 463,727    |
| <b>Net Change in Fund Balance</b>                         | \$ -             | \$ 7,618  | 217,328    |
| <b>FUND BALANCE - Beginning of Year</b>                   |                  |           | -          |
| <b>FUND BALANCE - END OF YEAR</b>                         |                  |           | \$ 217,328 |

## CITY OF URBANA

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CENTRAL TIF FUND For the Year Ended June 30, 2017

|   | Budgeted Amounts |                    | Actual            |
|---|------------------|--------------------|-------------------|
|   | Original         | Final              |                   |
| <b>REVENUES</b>   |                  |                    |                   |
| Property taxes  | \$ -             | \$ 26,222          | \$ 2,168          |
| Investment income   | -                | 1,200              | 5,965             |
| Total Revenues  | <u>-</u>         | <u>27,422</u>      | <u>8,133</u>      |
| <b>EXPENDITURES</b>                                       |                  |                    |                   |
| Urban Redevelopment and Housing                           |                  |                    |                   |
| Contractual services                                      | -                | 1,335,273          | 533,512           |
| Total urban redevelopment and housing                     | <u>-</u>         | <u>1,335,273</u>   | <u>533,512</u>    |
| Capital Outlay  | -                | 166,429            | 137,443           |
| Total Expenditures  | <u>-</u>         | <u>1,501,702</u>   | <u>670,955</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u>         | <u>(1,474,280)</u> | <u>(662,822)</u>  |
| <b>OTHER FINANCING SOURCES</b>                            |                  |                    |                   |
| Transfers in  | -                | 1,475,280          | 883,280           |
| Total Other Financing Sources                             | <u>-</u>         | <u>1,475,280</u>   | <u>883,280</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ -</u>      | <u>\$ 1,000</u>    | 220,458           |
| <b>FUND BALANCE - Beginning of Year</b>                   |                  |                    | <u>-</u>          |
| <b>FUND BALANCE - END OF YEAR</b>                         |                  |                    | <u>\$ 220,458</u> |

**CITY OF URBANA**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - INSURANCE FINANCING FUND  
For the Year Ended June 30, 2017

|   | Budgeted Amounts |              | Actual       |
|---|------------------|--------------|--------------|
|   | Original         | Final        |              |
| <b>REVENUES</b>   |                  |              |              |
| Investment income   | \$ 25,000        | \$ 17,500    | \$ 3,850     |
| Total Revenues  | 25,000           | 17,500       | 3,850        |
| <b>EXPENDITURES</b>                                       |                  |              |              |
| Total Expenditures  | -                | -            | -            |
| Excess (deficiency) of revenues over (under) expenditures | 25,000           | 17,500       | 3,850        |
| <b>OTHER FINANCING USES</b>                               |                  |              |              |
| Transfers out   | (190,000)        | (380,000)    | (380,000)    |
| Total Other Financing Uses                                | (190,000)        | (380,000)    | (380,000)    |
| <b>Net Change in Fund Balance</b>                         | \$ (165,000)     | \$ (362,500) | (376,150)    |
| <b>FUND BALANCE - Beginning of Year</b>                   |                  |              | 2,730,288    |
| <b>FUND BALANCE - END OF YEAR</b>                         |                  |              | \$ 2,354,138 |

**CITY OF URBANA**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - RECYCLING FUND  
For the Year Ended June 30, 2017

|   | Budgeted Amounts    |                     |                   |
|---|---------------------|---------------------|-------------------|
|   | Original            | Final               | Actual            |
| <b>REVENUES</b>   |                     |                     |                   |
| Licenses, fines, and service charges                      | \$ 1,319,820        | \$ 1,308,534        | \$ 1,339,994      |
| Investment income   | 7,100               | 5,400               | (2,245)           |
| Total Revenues  | 1,326,920           | 1,313,934           | 1,337,749         |
| <b>EXPENDITURES</b>                                       |                     |                     |                   |
| Highways and Streets                                      |                     |                     |                   |
| Personnel services  | 412,462             | 433,718             | 418,831           |
| Materials and supplies                                    | 144,273             | 105,393             | 44,248            |
| Contractual services                                      | 1,105,968           | 1,170,532           | 1,023,165         |
| Total highways and streets                                | 1,662,703           | 1,709,643           | 1,486,244         |
| Capital Outlay  | -                   | 8,000               | 6,777             |
| Total Expenditures  | 1,662,703           | 1,717,643           | 1,493,021         |
| Excess (deficiency) of revenues over (under) expenditures | (335,783)           | (403,709)           | (155,272)         |
| <b>OTHER FINANCING USES</b>                               |                     |                     |                   |
| Transfers out   | (108,981)           | (108,981)           | (108,981)         |
| Total Other Financing Uses                                | (108,981)           | (108,981)           | (108,981)         |
| <b>Net Change in Fund Balance</b>                         | <b>\$ (444,764)</b> | <b>\$ (512,690)</b> | (264,253)         |
| <b>FUND BALANCE - Beginning of Year</b>                   |                     |                     | 1,031,603         |
| <b>FUND BALANCE - END OF YEAR</b>                         |                     |                     | <b>\$ 767,350</b> |

## CITY OF URBANA

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - PUBLIC TELEVISION FUND For the Year Ended June 30, 2017

|   | Budgeted Amounts   |                   | Actual            |
|---|--------------------|-------------------|-------------------|
|   | Original           | Final             |                   |
| <b>REVENUES</b>   |                    |                   |                   |
| Licenses, fines, and service charges                      | \$ 1,160           | \$ 1,160          | \$ 152,526        |
| Investment income   | 100                | 180               | 83                |
| Total Revenues  | <u>1,260</u>       | <u>1,340</u>      | <u>152,609</u>    |
| <b>EXPENDITURES</b>                                       |                    |                   |                   |
| General Government  |                    |                   |                   |
| Personnel services  | 141,021            | 141,021           | 135,512           |
| Supplies  | 19,663             | -                 | -                 |
| Contractual services                                      | <u>19,042</u>      | <u>15,664</u>     | <u>13,490</u>     |
| Total general government                                  | <u>179,726</u>     | <u>156,685</u>    | <u>149,002</u>    |
| Capital Outlay  | <u>1,500</u>       | <u>459</u>        | <u>739</u>        |
| Total Expenditures  | <u>181,226</u>     | <u>157,144</u>    | <u>149,741</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>(179,966)</u>   | <u>(155,804)</u>  | <u>2,868</u>      |
| <b>OTHER FINANCING SOURCES</b>                            |                    |                   |                   |
| Transfers in  | <u>157,000</u>     | <u>289,000</u>    | <u>138,000</u>    |
| Total Other Financing Sources                             | <u>157,000</u>     | <u>289,000</u>    | <u>138,000</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (22,966)</u> | <u>\$ 133,196</u> | 140,868           |
| <b>FUND BALANCE - Beginning of Year</b>                   |                    |                   | <u>24,436</u>     |
| <b>FUND BALANCE - END OF YEAR</b>                         |                    |                   | <u>\$ 165,304</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, 2017

|   | Budgeted Amounts   |                   | Actual            |
|---|--------------------|-------------------|-------------------|
|   | Original           | Final             |                   |
| <b>REVENUES</b>   |                    |                   |                   |
| Intergovernmental   | \$ 123,484         | \$ 123,484        | \$ 123,484        |
| Investment income   | 600                | 600               | 346               |
| Total Revenues  | <u>124,084</u>     | <u>124,084</u>    | <u>123,830</u>    |
| <b>EXPENDITURES</b>                                       |                    |                   |                   |
| Public Safety - Police                                    |                    |                   |                   |
| Personnel services  | 114,317            | 114,317           | 92,305            |
| Contractual services                                      | <u>19,040</u>      | <u>16,040</u>     | <u>13,845</u>     |
| Total public safety - police                              | <u>133,357</u>     | <u>130,357</u>    | <u>106,150</u>    |
| Total Expenditures  | <u>133,357</u>     | <u>130,357</u>    | <u>106,150</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>(9,273)</u>     | <u>(6,273)</u>    | <u>17,680</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                    |                   |                   |
| Transfers in  | 26,270             | 26,270            | 26,270            |
| Transfers out   | <u>(28,579)</u>    | <u>(28,579)</u>   | <u>(23,076)</u>   |
| Total Other Financing Sources (Uses)                      | <u>(2,309)</u>     | <u>(2,309)</u>    | <u>3,194</u>      |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (11,582)</u> | <u>\$ (8,582)</u> | 20,874            |
| <b>FUND BALANCE - Beginning of Year</b>                   |                    |                   | <u>88,167</u>     |
| <b>FUND BALANCE - END OF YEAR</b>                         |                    |                   | <u>\$ 109,041</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, 2017

|   | Budgeted Amounts |                  | Actual             |
|---|------------------|------------------|--------------------|
|   | Original         | Final            |                    |
| <b>REVENUES</b>   |                  |                  |                    |
| Intergovernmental   | \$ 51,652        | \$ 51,652        | \$ 51,652          |
| Investment income   | (60)             | (40)             | (20)               |
| Total Revenues  | <u>51,592</u>    | <u>51,612</u>    | <u>51,632</u>      |
| <b>EXPENDITURES</b>                                       |                  |                  |                    |
| Urban Redevelopment and Housing                           |                  |                  |                    |
| Contractual services                                      | <u>50,292</u>    | <u>26,747</u>    | <u>29,827</u>      |
| Total Expenditures  | <u>50,292</u>    | <u>26,747</u>    | <u>29,827</u>      |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,300</u>     | <u>24,865</u>    | <u>21,805</u>      |
| <b>OTHER FINANCING USES</b>                               |                  |                  |                    |
| Transfers out   | <u>(1,360)</u>   | <u>(723)</u>     | <u>(722)</u>       |
| Total Other Financing Uses                                | <u>(1,360)</u>   | <u>(723)</u>     | <u>(722)</u>       |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (60)</u>   | <u>\$ 24,142</u> | 21,083             |
| <b>FUND BALANCE (DEFICIT) - Beginning of Year</b>         |                  |                  | <u>(48,721)</u>    |
| <b>FUND BALANCE (DEFICIT) - END OF YEAR</b>               |                  |                  | <u>\$ (27,638)</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, 2017

|   | Budgeted Amounts |                  | Actual              |
|---|------------------|------------------|---------------------|
|   | Original         | Final            |                     |
| <b>REVENUES</b>                         |                  |                  |                     |
| Sewer benefit taxes                     | \$ 1,370,000     | \$ 1,381,802     | \$ 1,333,403        |
| Licenses, fines, and service charges    | 4,500            | 4,500            | -                   |
| Investment income                       | 6,000            | 6,000            | 2,479               |
| Total Revenues                          | <u>1,380,500</u> | <u>1,392,302</u> | <u>1,335,882</u>    |
| <b>EXPENDITURES</b>                     |                  |                  |                     |
| Highways and Streets                    |                  |                  |                     |
| Contractual services                    | <u>189,600</u>   | <u>149,600</u>   | <u>70,147</u>       |
| Total highways and streets              | <u>189,600</u>   | <u>149,600</u>   | <u>70,147</u>       |
| Capital Outlay                          | <u>390,000</u>   | <u>393,913</u>   | <u>159,458</u>      |
| Total Expenditures                      | <u>579,600</u>   | <u>543,513</u>   | <u>229,605</u>      |
| Excess of revenues over expenditures    | <u>800,900</u>   | <u>848,789</u>   | <u>1,106,277</u>    |
| <b>OTHER FINANCING USES</b>             |                  |                  |                     |
| Transfers out                           | <u>(771,792)</u> | <u>(775,159)</u> | <u>(775,159)</u>    |
| Total Other Financing Uses              | <u>(771,792)</u> | <u>(775,159)</u> | <u>(775,159)</u>    |
| <b>Net Change in Fund Balance</b>       | <u>\$ 29,108</u> | <u>\$ 73,630</u> | 331,118             |
| <b>FUND BALANCE - Beginning of Year</b> |                  |                  | <u>714,341</u>      |
| <b>FUND BALANCE - END OF YEAR</b>       |                  |                  | <u>\$ 1,045,459</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, 2017

|   | Budgeted Amounts    |                       | Actual              |
|---|---------------------|-----------------------|---------------------|
|   | Original            | Final                 |                     |
| <b>REVENUES</b>   |                     |                       |                     |
| Intergovernmental   | \$ 1,030,000        | \$ 4,091,916          | \$ 1,114,075        |
| Licenses, fines, and service charges                      | 1,450,000           | 1,491,869             | 1,509,931           |
| Investment income   | 21,600              | 25,308                | 10,056              |
| Miscellaneous   | 5,000               | 9,000                 | 57,655              |
| Total Revenues  | <u>2,506,600</u>    | <u>5,618,093</u>      | <u>2,691,717</u>    |
| <b>EXPENDITURES</b>                                       |                     |                       |                     |
| Highways and Streets                                      |                     |                       |                     |
| Contractual services                                      | <u>862,000</u>      | <u>2,235,429</u>      | <u>190,556</u>      |
| Total highways and streets                                | <u>862,000</u>      | <u>2,235,429</u>      | <u>190,556</u>      |
| Capital Outlay  | 2,605,500           | 7,727,205             | 2,612,178           |
| Debt Service  |                     |                       |                     |
| Principal   | 270,000             | 270,000               | 270,000             |
| Interest and fiscal charges                               | <u>39,545</u>       | <u>38,465</u>         | <u>38,465</u>       |
| Total debt service  | <u>309,545</u>      | <u>308,465</u>        | <u>308,465</u>      |
| Total Expenditures  | <u>3,777,045</u>    | <u>10,271,099</u>     | <u>3,111,199</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,270,445)</u>  | <u>(4,653,006)</u>    | <u>(419,482)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                     |                       |                     |
| Transfers in  | 1,662,254           | 2,462,254             | 2,462,254           |
| Transfers out   | <u>(581,787)</u>    | <u>(581,800)</u>      | <u>(581,800)</u>    |
| Total Other Financing Sources (Uses)                      | <u>1,080,467</u>    | <u>1,880,454</u>      | <u>1,880,454</u>    |
| <b>Net Change in Fund Balance</b>                         | <u>\$ (189,978)</u> | <u>\$ (2,772,552)</u> | 1,460,972           |
| <b>FUND BALANCE - Beginning of Year</b>                   |                     |                       | <u>3,272,929</u>    |
| <b>FUND BALANCE - END OF YEAR</b>                         |                     |                       | <u>\$ 4,733,901</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, 2017

|   | Budgeted Amounts |              | Actual       |
|---|------------------|--------------|--------------|
|   | Original         | Final        |              |
| <b>REVENUES</b>   |                  |              |              |
| Intergovernmental   | \$ 1,644,975     | \$ 2,634,488 | \$ 1,180,066 |
| Investment income   | 20,000           | 13,000       | 10,629       |
| Total Revenues  | 1,664,975        | 2,647,488    | 1,190,695    |
| <b>EXPENDITURES</b>                                       |                  |              |              |
| Capital Outlay  | 1,646,000        | 2,926,488    | 412,004      |
| Total Expenditures  | 1,646,000        | 2,926,488    | 412,004      |
| Excess (deficiency) of revenues over (under) expenditures | 18,975           | (279,000)    | 778,691      |
| <b>OTHER FINANCING USES</b>                               |                  |              |              |
| Transfers out   | -                | (23,683)     | (28,360)     |
| Total Other Financing Uses                                | -                | (23,683)     | (28,360)     |
| <b>Net Change in Fund Balance</b>                         | \$ 18,975        | \$ (302,683) | 750,331      |
| <b>FUND BALANCE - Beginning of Year</b>                   |                  |              | 2,083,899    |
| <b>FUND BALANCE - END OF YEAR</b>                         |                  |              | \$ 2,834,230 |

**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, 2017

|  | Budgeted Amounts    |                       |                     |
|--|---------------------|-----------------------|---------------------|
|  | Original            | Final                 | Actual              |
| <b>OPERATING REVENUES</b>                |                     |                       |                     |
| Parking meters                           | \$ 943,470          | \$ 1,108,300          | \$ 1,125,034        |
| Parking rentals                          | <u>299,242</u>      | <u>291,772</u>        | <u>295,499</u>      |
| Total Operating Revenues                 | <u>1,242,712</u>    | <u>1,400,072</u>      | <u>1,420,533</u>    |
| <b>OPERATING EXPENSES</b>                |                     |                       |                     |
| Personnel                                | 203,897             | 211,224               | 212,413             |
| Supplies                                 | 69,584              | 68,402                | 45,013              |
| Contractual services                     | 897,452             | 1,669,196             | 250,757             |
| Depreciation                             | <u>-</u>            | <u>-</u>              | <u>209,432</u>      |
| Total Operating Expenses                 | <u>1,170,933</u>    | <u>1,948,822</u>      | <u>717,615</u>      |
| Operating Income (Loss)                  | <u>71,779</u>       | <u>(548,750)</u>      | <u>702,918</u>      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                     |                       |                     |
| Investment income                        | 24,000              | 16,000                | 4,650               |
| Interest expense                         | <u>(2,191)</u>      | <u>(2,191)</u>        | <u>-</u>            |
| Total Non-Operating Revenues (Expenses)  | <u>21,809</u>       | <u>13,809</u>         | <u>4,650</u>        |
| Net Income Before Transfers              | <u>93,588</u>       | <u>(534,941)</u>      | <u>707,568</u>      |
| <b>TRANSFERS</b>                         |                     |                       |                     |
| Transfers out                            | <u>(824,776)</u>    | <u>(824,776)</u>      | <u>(824,776)</u>    |
| Net Transfers                            | <u>(824,776)</u>    | <u>(824,776)</u>      | <u>(824,776)</u>    |
| Change in net position                   | <u>\$ (731,188)</u> | <u>\$ (1,359,717)</u> | (117,208)           |
| NET POSITION - Beginning of Year         |                     |                       | <u>8,095,252</u>    |
| NET POSITION - END OF YEAR               |                     |                       | <u>\$ 7,978,044</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, 2017

|                                  | Budgeted Amounts          |                           |                          |
|----------------------------------|---------------------------|---------------------------|--------------------------|
|                                  | Original                  | Final                     | Actual                   |
| <b>OPERATING REVENUES</b>        |                           |                           |                          |
| Charges for services             | \$ <u>1,091,970</u>       | \$ <u>1,041,470</u>       | \$ <u>935,941</u>        |
| Total Operating Revenues         | <u>1,091,970</u>          | <u>1,041,470</u>          | <u>935,941</u>           |
| <b>OPERATING EXPENSES</b>        |                           |                           |                          |
| Personnel                        | 366,704                   | 366,704                   | 342,815                  |
| Supplies                         | 123,222                   | 123,222                   | 11,429                   |
| Contractual services             | 133,004                   | 136,428                   | 103,423                  |
| Equipment parts                  | 260,400                   | 260,400                   | 171,332                  |
| Fuel                             | 275,000                   | 170,000                   | 164,202                  |
| Depreciation                     | <u>-</u>                  | <u>-</u>                  | <u>10,591</u>            |
| Total Operating Expenses         | <u>1,158,330</u>          | <u>1,056,754</u>          | <u>803,792</u>           |
| Operating Income (Loss)          | <u>(66,360)</u>           | <u>(15,284)</u>           | <u>132,149</u>           |
| <b>NON-OPERATING REVENUES</b>    |                           |                           |                          |
| Investment income                | <u>800</u>                | <u>700</u>                | <u>788</u>               |
| Total Non-Operating Revenues     | <u>800</u>                | <u>700</u>                | <u>788</u>               |
| Change in net position           | <u><u>\$ (65,560)</u></u> | <u><u>\$ (14,584)</u></u> | 132,937                  |
| NET POSITION - Beginning of Year |                           |                           | <u>131,553</u>           |
| NET POSITION - END OF YEAR       |                           |                           | <u><u>\$ 264,490</u></u> |

**CITY OF URBANA**

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
As of June 30, 2017

|                                       | <u>Police Pension</u> | <u>Firefighters'<br/>Pension</u> | <u>Totals</u>        |
|---------------------------------------|-----------------------|----------------------------------|----------------------|
| <b>ASSETS</b>                         |                       |                                  |                      |
| Cash                                  | \$ 1,495,756          | \$ 825,434                       | \$ 2,321,190         |
| Investments                           |                       |                                  |                      |
| Certificates of deposit               | -                     | 2,344,788                        | 2,344,788            |
| Money market funds                    | -                     | 103,378                          | 103,378              |
| U.S. Government and agency securities | 7,535,675             | 10,723,019                       | 18,258,694           |
| Mutual funds                          | 18,934,984            | 30,014,870                       | 48,949,854           |
| Domestic common stocks                | 5,835,523             | -                                | 5,835,523            |
| Corporate bonds                       | 3,481,205             | 1,744,810                        | 5,226,015            |
| Municipal bonds                       | 247,470               | 318,204                          | 565,674              |
| Receivables                           |                       |                                  |                      |
| Accrued interest                      | <u>75,729</u>         | <u>32,898</u>                    | <u>108,627</u>       |
| Total Assets                          | <u>37,606,342</u>     | <u>46,107,401</u>                | <u>83,713,743</u>    |
| <b>LIABILITIES</b>                    |                       |                                  |                      |
| Accounts payable                      | <u>10,984</u>         | <u>1,680</u>                     | <u>12,664</u>        |
| Total Liabilities                     | <u>10,984</u>         | <u>1,680</u>                     | <u>12,664</u>        |
| <b>NET POSITION</b>                   |                       |                                  |                      |
| Restricted for pensions               | <u>\$ 37,595,358</u>  | <u>\$ 46,105,721</u>             | <u>\$ 83,701,079</u> |

**CITY OF URBANA**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUNDS

For the Year Ended June 30, 2017

|   | <u>Police Pension</u>    | <u>Firefighters'<br/>Pension</u> | <u>Totals</u>            |
|---|--------------------------|----------------------------------|--------------------------|
| <b>ADDITIONS</b>                              |                          |                                  |                          |
| Contributions                                 |                          |                                  |                          |
| Employer contributions                        | \$ 1,230,207             | \$ 972,622                       | \$ 2,202,829             |
| Employee contributions                        | 442,500                  | 402,966                          | 845,466                  |
| Total Contributions                           | <u>1,672,707</u>         | <u>1,375,588</u>                 | <u>3,048,295</u>         |
| Investment income                             |                          |                                  |                          |
| Investment income                             | 751,332                  | 1,339,486                        | 2,090,818                |
| Net appreciation in fair value of investments | <u>2,801,157</u>         | <u>4,005,948</u>                 | <u>6,807,105</u>         |
| Total Investment Income                       | 3,552,489                | 5,345,434                        | 8,897,923                |
| Less Investment expense                       | <u>196,082</u>           | <u>18,365</u>                    | <u>214,447</u>           |
| Net Investment Income                         | <u>3,356,407</u>         | <u>5,327,069</u>                 | <u>8,683,476</u>         |
| Total Additions                               | <u>5,029,114</u>         | <u>6,702,657</u>                 | <u>11,731,771</u>        |
| <b>DEDUCTIONS</b>                             |                          |                                  |                          |
| Benefits                                      | 2,342,051                | 2,265,954                        | 4,608,005                |
| Administrative costs                          | <u>54,146</u>            | <u>36,152</u>                    | <u>90,298</u>            |
| Total Deductions                              | <u>2,396,197</u>         | <u>2,302,106</u>                 | <u>4,698,303</u>         |
| <br><b>Change in Net Position</b>             | <br>2,632,917            | <br>4,400,551                    | <br>7,033,468            |
| <br>NET POSITION - Beginning of Year          | <br><u>34,962,441</u>    | <br><u>41,705,170</u>            | <br><u>76,667,611</u>    |
| <br><b>NET POSITION - END OF YEAR</b>         | <br><u>\$ 37,595,358</u> | <br><u>\$ 46,105,721</u>         | <br><u>\$ 83,701,079</u> |

## 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.

| <b><u>Contents</u></b>  | <b><u>Page</u></b> |
|---|--------------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.  | 127 - 131          |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess the City's most significant local revenue source.  | 132 - 135          |
| <b>Debt Capacity</b><br>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.                                 | 136 - 141          |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within the City's financial activities take place.   | 142 - 144          |
| <b>Operating Information</b><br>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. | 145 - 146          |

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



**CITY OF URBANA, ILLINOIS**

SCHEDULE OF NET POSITION BY COMPONENT  
Last Ten Fiscal Years  
(Amounts Expressed in Thousands)

|  | 2008              | 2009              | 2010              | 2011              | 2012              | 2013*             | 2014**            | 2015              | 2016              | 2017              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Net investment in capital assets                   | \$ 74,059         | \$ 77,101         | \$ 79,853         | \$ 81,466         | \$ 87,036         | \$ 83,380         | \$ 86,212         | \$ 90,695         | \$ 90,099         | \$ 90,269         |
| Restricted   | 11,907            | 12,905            | 14,164            | 13,603            | 9,781             | 20,107            | 8,366             | 8,236             | 8,501             | 7,975             |
| Unrestricted                                       | 25,637            | 24,615            | 21,977            | 22,085            | 27,336            | 25,589            | 291               | 1,985             | 3,832             | 1,839             |
| <b>TOTAL GOVERNMENTAL ACTIVITIES NET POSITION</b>  | <b>\$ 111,603</b> | <b>\$ 114,621</b> | <b>\$ 115,994</b> | <b>\$ 117,154</b> | <b>\$ 124,153</b> | <b>\$ 129,076</b> | <b>\$ 94,869</b>  | <b>\$ 100,916</b> | <b>\$ 102,432</b> | <b>\$ 100,083</b> |
| <b>BUSINESS-TYPE ACTIVITIES</b>                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Net investment in capital assets                   | \$ 4,893          | \$ 5,017          | \$ 5,458          | \$ 5,609          | \$ 5,778          | \$ 6,248          | \$ 5,953          | \$ 5,801          | \$ 5,883          | \$ 6,116          |
| Unrestricted                                       | 3,399             | 3,571             | 3,189             | 3,048             | 2,970             | 2,353             | 2,295             | 2,357             | 2,217             | 1,876             |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION</b> | <b>\$ 8,292</b>   | <b>\$ 8,588</b>   | <b>\$ 8,647</b>   | <b>\$ 8,657</b>   | <b>\$ 8,748</b>   | <b>\$ 8,601</b>   | <b>\$ 8,248</b>   | <b>\$ 8,158</b>   | <b>\$ 8,100</b>   | <b>\$ 7,992</b>   |
| <b>PRIMARY GOVERNMENT</b>                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Net investment in capital assets                   | \$ 78,952         | \$ 82,118         | \$ 85,311         | \$ 87,075         | \$ 92,814         | \$ 89,628         | \$ 92,165         | \$ 96,496         | \$ 95,982         | \$ 96,385         |
| Restricted   | 11,907            | 12,905            | 14,164            | 13,603            | 9,781             | 20,107            | 8,366             | 8,236             | 8,501             | 7,975             |
| Unrestricted                                       | 29,036            | 28,186            | 25,166            | 25,133            | 30,306            | 27,942            | 2,586             | 4,342             | 6,049             | 3,715             |
| <b>TOTAL PRIMARY GOVERNMENT</b>                    | <b>\$ 119,895</b> | <b>\$ 123,209</b> | <b>\$ 124,641</b> | <b>\$ 125,811</b> | <b>\$ 132,901</b> | <b>\$ 137,677</b> | <b>\$ 103,117</b> | <b>\$ 109,074</b> | <b>\$ 110,532</b> | <b>\$ 108,075</b> |

Source:

The City of Urbana's Comprehensive Annual Financial Report

\* Restated

\*\*Restated due to the implementation of GASB Statement No. 68. Prior years have not been restated.

**CITY OF URBANA, ILLINOIS**

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

|   | 2008               | 2009               | 2010               | 2011               | 2012               | 2013 <sup>a</sup>  | 2014 <sup>b, e</sup> | 2015               | 2016               | 2017               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|--------------------|--------------------|--------------------|
| <b>EXPENSES</b>                                       |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Governmental activities                               |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Public safety   | \$ 12,536          | \$ 14,151          | \$ 14,368          | \$ 14,644          | \$ 15,116          | \$ 16,090          | \$ 15,967            | \$ 17,483          | \$ 18,899          | \$ 20,289          |
| Highways and streets                                  | 9,728              | 10,591             | 10,956             | 10,980             | 10,376             | 11,527             | 12,386               | 11,892             | 14,348             | 12,956             |
| General government                                    | 3,019              | 3,264              | 3,376              | 3,395              | 3,457              | 3,654              | 4,900                | 5,093              | 4,850              | 5,693              |
| Urban redevelopment and housing                       | 5,480              | 5,561              | 5,790              | 6,647              | 6,737              | 5,969              | 17,507               | 4,825              | 5,652              | 5,100              |
| Interest on long-term debt                            | -                  | -                  | -                  | -                  | -                  | -                  | 98                   | 136                | 122                | 108                |
| Library Services <sup>d</sup>                         | 3,298              | 3,641              | 3,693              | 3,582              | 3,844              | -                  | -                    | -                  | -                  | -                  |
| Total governmental activities expenses                | 34,061             | 37,208             | 38,183             | 39,248             | 39,530             | 37,240             | 50,858               | 39,429             | 43,871             | 44,146             |
| Business-type activities                              |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Motor vehicle parking                                 | 668                | 715                | 747                | 758                | 698                | 735                | 717                  | 675                | 681                | 707                |
| Total business-type activities expenses               | 668                | 715                | 747                | 758                | 698                | 735                | 717                  | 675                | 681                | 707                |
| <b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>              | <b>\$ 34,729</b>   | <b>\$ 37,923</b>   | <b>\$ 38,930</b>   | <b>\$ 40,006</b>   | <b>\$ 40,228</b>   | <b>\$ 37,975</b>   | <b>\$ 51,575</b>     | <b>\$ 40,104</b>   | <b>\$ 44,552</b>   | <b>\$ 44,853</b>   |
| <b>PROGRAM REVENUES</b>                               |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Governmental activities                               |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Charges for services                                  |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Public safety   | \$ 3,847           | \$ 3,089           | \$ 2,717           | \$ 2,763           | \$ 2,883           | \$ 2,988           | \$ 3,182             | \$ 3,796           | \$ 3,346           | \$ 3,498           |
| Highways and streets                                  | 2,292              | 1,955              | 1,742              | 1,748              | 1,783              | 1,833              | 3,237                | 3,414              | 3,547              | 3,418              |
| Other activities <sup>c, d</sup>                      | 1,938              | 1,405              | 1,217              | 1,278              | 1,941              | 1,071              | -                    | -                  | -                  | -                  |
| General government <sup>c</sup>                       | -                  | -                  | -                  | -                  | -                  | -                  | 179                  | 200                | 247                | 454                |
| Urban redevelopment and housing <sup>c</sup>          | -                  | -                  | -                  | -                  | -                  | -                  | 1,080                | 1,308              | 1,551              | 1,442              |
| Operating grants and contributions                    | 1,720              | 1,797              | 2,200              | 1,799              | 1,826              | 2,430              | 1,859                | 2,818              | 2,041              | 1,292              |
| Capital grants and contributions                      | 46                 | 252                | 1,998              | 1,874              | 6,200              | 3,890              | 4,434                | 2,010              | 1,245              | 1,335              |
| Total governmental activities program revenues        | 9,843              | 8,498              | 9,874              | 9,462              | 14,633             | 12,212             | 13,971               | 13,546             | 11,977             | 11,439             |
| Business-type activities program revenues             |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Charges for services - motor vehicle parking          | 1,104              | 1,101              | 1,034              | 1,107              | 1,102              | 1,183              | 1,121                | 1,310              | 1,357              | 1,421              |
| Total business-type activities program revenues       | 1,104              | 1,101              | 1,034              | 1,107              | 1,102              | 1,183              | 1,121                | 1,310              | 1,357              | 1,421              |
| <b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>      | <b>\$ 10,947</b>   | <b>\$ 9,599</b>    | <b>\$ 10,908</b>   | <b>\$ 10,569</b>   | <b>\$ 15,735</b>   | <b>\$ 13,395</b>   | <b>\$ 15,092</b>     | <b>\$ 14,856</b>   | <b>\$ 13,334</b>   | <b>\$ 12,860</b>   |
| <b>NET REVENUE (EXPENSE)</b>                          |                    |                    |                    |                    |                    |                    |                      |                    |                    |                    |
| Governmental activities                               | \$ (24,218)        | \$ (28,710)        | \$ (28,309)        | \$ (29,786)        | \$ (24,897)        | \$ (25,028)        | \$ (36,887)          | \$ (25,883)        | \$ (31,894)        | \$ (32,707)        |
| Business-type activities                              | 436                | 386                | 287                | 349                | 404                | 448                | 404                  | 635                | 676                | 714                |
| <b>TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)</b> | <b>\$ (23,782)</b> | <b>\$ (28,324)</b> | <b>\$ (28,022)</b> | <b>\$ (29,437)</b> | <b>\$ (24,493)</b> | <b>\$ (24,580)</b> | <b>\$ (36,483)</b>   | <b>\$ (25,248)</b> | <b>\$ (31,218)</b> | <b>\$ (31,993)</b> |

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)

|   | 2008             | 2009             | 2010             | 2011             | 2012             | 2013 <sup>a</sup> | 2014 <sup>b, c</sup> | 2015             | 2016             | 2017              |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|----------------------|------------------|------------------|-------------------|
| <b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b> |                  |                  |                  |                  |                  |                   |                      |                  |                  |                   |
| Governmental activities                                   |                  |                  |                  |                  |                  |                   |                      |                  |                  |                   |
| Property taxes  | \$ 9,430         | \$ 10,968        | \$ 10,401        | \$ 11,614        | \$ 10,583        | \$ 8,674          | \$ 7,901             | \$ 7,179         | \$ 8,778         | \$ 6,695          |
| Utility taxes   | 3,757            | 3,832            | 3,694            | 3,865            | 3,965            | 4,093             | 4,161                | 3,938            | 3,792            | 3,811             |
| State and local sales taxes                               | 8,836            | 8,736            | 8,422            | 9,070            | 9,791            | 10,170            | 10,902               | 11,494           | 12,277           | 12,033            |
| Other taxes   | 1,551            | 1,530            | 1,660            | 1,801            | 2,128            | 2,211             | 2,332                | 2,203            | 2,292            | 2,296             |
| Other intergovernmental                                   | 5,311            | 5,422            | 3,859            | 3,734            | 4,109            | 3,874             | 4,327                | 4,724            | 4,642            | 4,544             |
| Investment income   | 1,487            | 954              | 1,152            | 418              | 769              | (417)             | 562                  | 458              | 745              | 73                |
| Miscellaneous   | 88               | 86               | 144              | 47               | 44               | 71                | 55                   | 1,157            | 83               | 80                |
| Transfers   | (245)            | 201              | 350              | 396              | 508              | 581               | 777                  | 777              | 801              | 825               |
| <b>Total governmental activities</b>                      | <b>30,215</b>    | <b>31,729</b>    | <b>29,682</b>    | <b>30,945</b>    | <b>31,897</b>    | <b>29,257</b>     | <b>31,017</b>        | <b>31,930</b>    | <b>33,410</b>    | <b>30,357</b>     |
| Business-type activities                                  |                  |                  |                  |                  |                  |                   |                      |                  |                  |                   |
| Investment income   | 161              | 111              | 122              | 58               | 94               | (14)              | 54                   | 50               | 66               | 5                 |
| Miscellaneous   | -                | -                | -                | -                | 100              | -                 | -                    | 3                | -                | -                 |
| Transfers   | 245              | (201)            | (350)            | (396)            | (508)            | (581)             | (777)                | (777)            | (801)            | (825)             |
| <b>Total business-type activities</b>                     | <b>406</b>       | <b>(90)</b>      | <b>(228)</b>     | <b>(338)</b>     | <b>(314)</b>     | <b>(595)</b>      | <b>(723)</b>         | <b>(724)</b>     | <b>(735)</b>     | <b>(820)</b>      |
| <b>TOTAL PRIMARY GOVERNMENT</b>                           | <b>\$ 30,621</b> | <b>\$ 31,639</b> | <b>\$ 29,454</b> | <b>\$ 30,607</b> | <b>\$ 31,583</b> | <b>\$ 28,662</b>  | <b>\$ 30,294</b>     | <b>\$ 31,206</b> | <b>\$ 32,675</b> | <b>\$ 29,537</b>  |
| <b>CHANGE IN NET POSITION</b>                             |                  |                  |                  |                  |                  |                   |                      |                  |                  |                   |
| Governmental activities                                   | \$ 5,997         | \$ 3,019         | \$ 1,373         | \$ 1,159         | \$ 7,000         | \$ 4,229          | \$ (5,870)           | \$ 6,047         | \$ 1,516         | \$ (2,350)        |
| Business-type activities                                  | 842              | 296              | 59               | 11               | 90               | (147)             | (319)                | (89)             | (59)             | (106)             |
| <b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>    | <b>\$ 6,839</b>  | <b>\$ 3,315</b>  | <b>\$ 1,432</b>  | <b>\$ 1,170</b>  | <b>\$ 7,090</b>  | <b>\$ 4,082</b>   | <b>\$ (6,189)</b>    | <b>\$ 5,958</b>  | <b>\$ 1,457</b>  | <b>\$ (2,456)</b> |

Source:

The City of Urbana's Comprehensive Annual Financial Report

<sup>a</sup> Restated

<sup>b</sup> Beginning in fiscal year 2014, replacement taxes, state sales taxes, and state use taxes are presented as intergovernmental revenues.

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

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

<sup>e</sup> In 2015, GASB Statement No. 68 and No. 71 were implemented, resulting in the restatement of 2014 net position. The effects of the restatement are not shown in this schedule.

**CITY OF URBANA, ILLINOIS**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

(Amounts Expressed in Thousands)

|   | 2008             | 2009             | 2010             | 2011             | 2012             | 2013*            | 2014             | 2015             | 2016             | 2017             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>GENERAL FUND</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Nonspendable                              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Prepaid items                             | \$ 352           | \$ 324           | \$ 300           | \$ 371           | \$ 390           | \$ 418           | \$ 217           | \$ 182           | \$ 103           | \$ 101           |
| Unrestricted                              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Unassigned / unreserved                   | 6,035            | 6,904            | 6,018            | 4,715            | 5,830            | 4,645            | 8,894            | 11,362           | 15,594           | 9,699            |
| <b>TOTAL GENERAL FUND</b>                 | <b>\$ 6,387</b>  | <b>\$ 7,228</b>  | <b>\$ 6,318</b>  | <b>\$ 5,086</b>  | <b>\$ 6,220</b>  | <b>\$ 5,063</b>  | <b>\$ 9,111</b>  | <b>\$ 11,544</b> | <b>\$ 15,697</b> | <b>\$ 9,800</b>  |
| <b>ALL OTHER GOVERNMENTAL FUNDS</b>       |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Nonspendable                              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Prepaid items                             | \$ 84            | \$ 36            | \$ 34            | \$ 29            | \$ 28            | \$ 20            | \$ 14            | \$ -             | \$ -             | \$ -             |
| Restricted                                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Library services                          | 1,733            | 1,766            | 1,860            | 2,080            | 2,108            | 2,127            | -                | -                | -                | -                |
| Urban redevelopment and housing           | 7,726            | 8,603            | 9,443            | 7,974            | 5,959            | 5,875            | 4,476            | 5,252            | 5,224            | 4,152            |
| Public safety                             | -                | -                | -                | -                | -                | -                | 20               | 47               | 56               | 73               |
| Highways and streets                      | -                | -                | -                | -                | -                | -                | -                | 886              | 1,032            | 767              |
| Capital projects                          | 2,012            | 2,177            | 2,530            | 3,549            | 3,823            | 4,731            | 3,869            | 3,367            | 2,621            | 3,339            |
| Unrestricted                              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Committed                                 |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Other purposes                            | 346              | 670              | 484              | 205              | 293              | 783              | -                | -                | -                | -                |
| Urban redevelopment and housing           | 1,884            | 591              | 521              | 683              | 600              | 388              | -                | -                | -                | -                |
| Highways and streets                      | -                | -                | -                | 473              | 2,599            | 3,406            | 674              | -                | -                | -                |
| Workers' compensation                     | 3,521            | 3,329            | 3,114            | 2,820            | 2,956            | 2,942            | -                | -                | -                | -                |
| Capital projects                          | 8,028            | 7,008            | 5,298            | 5,601            | 4,639            | 4,529            | 610              | 669              | 714              | 1,046            |
| Assigned                                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Public safety                             | -                | -                | -                | -                | -                | -                | 5,190            | 5,314            | 6,703            | 7,408            |
| Urban redevelopment and housing           | -                | -                | -                | -                | -                | -                | 539              | 451              | 116              | 5,437            |
| Social services                           | -                | -                | -                | -                | -                | -                | 13               | 35               | 36               | 31               |
| Workers' compensation                     | -                | -                | -                | -                | -                | -                | 2,998            | 2,760            | 2,730            | 2,354            |
| Public television                         | -                | -                | -                | -                | -                | -                | 27               | 30               | 24               | 165              |
| Capital projects                          | -                | -                | -                | -                | -                | -                | 3,473            | 2,836            | 2,736            | 4,229            |
| Unassigned (deficit)                      | -                | -                | -                | -                | -                | -                | (388)            | (443)            | (96)             | (47)             |
| <b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b> | <b>\$ 25,334</b> | <b>\$ 24,180</b> | <b>\$ 23,284</b> | <b>\$ 23,414</b> | <b>\$ 23,005</b> | <b>\$ 24,801</b> | <b>\$ 21,515</b> | <b>\$ 21,204</b> | <b>\$ 21,896</b> | <b>\$ 28,954</b> |
| <b>TOTAL ALL GOVERNMENTAL FUNDS</b>       | <b>\$ 31,721</b> | <b>\$ 31,408</b> | <b>\$ 29,602</b> | <b>\$ 28,500</b> | <b>\$ 29,225</b> | <b>\$ 29,864</b> | <b>\$ 30,626</b> | <b>\$ 32,748</b> | <b>\$ 37,593</b> | <b>\$ 38,754</b> |

\* 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)

|  | 2008            | 2009            | 2010              | 2011              | 2012          | 2013*           | 2014**             | 2015            | 2016            | 2017            |
|--|-----------------|-----------------|-------------------|-------------------|---------------|-----------------|--------------------|-----------------|-----------------|-----------------|
| <b>REVENUES</b>  |                 |                 |                   |                   |               |                 |                    |                 |                 |                 |
| Property taxes   | \$ 9,258        | \$ 10,560       | \$ 10,533         | \$ 11,768         | \$ 10,522     | \$ 8,673        | \$ 7,901           | \$ 7,179        | \$ 8,778        | \$ 6,695        |
| Other taxes  | 14,143          | 14,097          | 13,776            | 14,736            | 15,884        | 16,475          | 10,863             | 11,009          | 11,308          | 11,213          |
| Intergovernmental  | 8,598           | 9,110           | 9,973             | 9,188             | 13,827        | 12,422          | 18,595             | 18,490          | 17,922          | 16,619          |
| Investment income  | 1,479           | 953             | 1,152             | 418               | 769           | (417)           | 562                | 458             | 26              | 73              |
| Licenses, fines and service charges                                | 6,556           | 4,811           | 3,761             | 4,009             | 4,920         | 4,023           | 5,802              | 6,213           | 6,447           | 6,199           |
| Miscellaneous  | 93              | 85              | 139               | 45                | 46            | -               | 56                 | 1,157           | 743             | 80              |
| <b>Total revenues</b>  | <b>40,127</b>   | <b>39,616</b>   | <b>39,334</b>     | <b>40,164</b>     | <b>45,968</b> | <b>41,176</b>   | <b>43,779</b>      | <b>44,506</b>   | <b>45,224</b>   | <b>40,879</b>   |
| <b>EXPENDITURES</b>  |                 |                 |                   |                   |               |                 |                    |                 |                 |                 |
| Public safety  | 13,113          | 14,011          | 14,552            | 14,899            | 15,212        | 16,097          | 16,422             | 16,345          | 16,046          | 16,783          |
| Highways and streets   | 6,729           | 7,716           | 8,104             | 7,900             | 7,132         | 7,850           | 8,097              | 7,826           | 8,068           | 8,449           |
| General government   | 2,942           | 3,078           | 3,273             | 3,349             | 3,334         | 3,704           | 4,895              | 4,666           | 4,197           | 4,833           |
| Urban redevelopment and housing                                    | 5,463           | 5,468           | 5,755             | 6,628             | 6,675         | 5,946           | 17,413             | 4,970           | 5,534           | 5,061           |
| Library services   | 3,118           | 3,379           | 3,507             | 3,427             | 3,598         | -               | -                  | -               | -               | -               |
| Debt service   |                 |                 |                   |                   |               |                 |                    |                 |                 |                 |
| Principal  | -               | -               | -                 | -                 | -             | -               | 815                | 1,115           | 1,105           | 1,125           |
| Interest and fiscal charges  | -               | -               | -                 | -                 | -             | -               | 60                 | 141             | 128             | 114             |
| Capital outlay   | 7,315           | 6,479           | 6,299             | 5,459             | 9,800         | 9,887           | 13,434             | 10,898          | 6,452           | 4,178           |
| <b>Total expenditures</b>  | <b>38,680</b>   | <b>40,131</b>   | <b>41,490</b>     | <b>41,662</b>     | <b>45,751</b> | <b>43,484</b>   | <b>61,136</b>      | <b>45,961</b>   | <b>41,530</b>   | <b>40,543</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b>       | <b>1,447</b>    | <b>(515)</b>    | <b>(2,156)</b>    | <b>(1,498)</b>    | <b>217</b>    | <b>(2,308)</b>  | <b>(17,357)</b>    | <b>(1,455)</b>  | <b>3,694</b>    | <b>336</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                 |                 |                   |                   |               |                 |                    |                 |                 |                 |
| Transfers in (out)   | (245)           | 201             | 350               | 396               | 508           | 205             | 777                | 777             | 801             | 825             |
| Bond proceeds  | -               | -               | -                 | -                 | -             | 3,800           | 4,000              | 2,800           | 350             | -               |
| <b>Total other financing sources (uses)</b>                        | <b>(245)</b>    | <b>201</b>      | <b>350</b>        | <b>396</b>        | <b>508</b>    | <b>4,005</b>    | <b>4,777</b>       | <b>3,577</b>    | <b>1,151</b>    | <b>825</b>      |
| <b>NET CHANGES IN FUND BALANCES</b>                                | <b>\$ 1,202</b> | <b>\$ (314)</b> | <b>\$ (1,806)</b> | <b>\$ (1,102)</b> | <b>\$ 725</b> | <b>\$ 1,697</b> | <b>\$ (12,580)</b> | <b>\$ 2,122</b> | <b>\$ 4,845</b> | <b>\$ 1,161</b> |
| <b>DEBT SERVICE AS A PERCENTAGE OF<br/>NONCAPITAL EXPENDITURES</b> | <b>0.0%</b>     | <b>0.0%</b>     | <b>0.0%</b>       | <b>0.0%</b>       | <b>0.0%</b>   | <b>0.0%</b>     | <b>1.8%</b>        | <b>3.5%</b>     | <b>2.6%</b>     | <b>3.4%</b>     |

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

| <u>Levy Year</u> | <u>Residential Property</u> | <u>Commercial Property</u> | <u>Total Taxable Assessed Value (a)</u> | <u>Total Direct Tax Rate (b)</u> | <u>Estimated Actual Taxable Value</u> | <u>Assessed Value as % of Actual Value</u> | <u>Percentage Change</u> |
|------------------|-----------------------------|----------------------------|---|----------------------------------|---------------------------------------|--|--------------------------|
| 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%                    |
| 2014             | 321,888,953                 | 201,494,560                | 523,383,513                             | 0.01346                          | 1,570,150,539                         | 33%  | 0.6%                     |
| 2015             | 320,668,273                 | 201,974,287                | 522,642,560                             | 0.01355                          | 1,567,927,680                         | 33%  | -0.1%                    |
| 2016             | 326,100,413                 | 219,874,042                | 545,974,455                             | 0.01355                          | 1,637,923,365                         | 33%  | 4.5%                     |

Source: Champaign County Clerk

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.

<sup>a</sup> County deducts the tax-exempt property from each property category before reporting this data.

<sup>b</sup> 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>2007</u>          | <u>2008</u>          | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>           | <u>2014</u>           | <u>2015</u>           | <u>2016</u>           |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| City of Urbana:       |                      |                      |                      |                      |                      |                      |                       |                       |                       |                       |
| Library               | 0.4752               | 0.4853               | 0.4998               | 0.4927               | 0.5089               | 0.5347               | 0.5608                | 0.5577                | 0.5728                | 0.5694                |
| General               | 0.3472               | 0.3312               | 0.2735               | 0.2339               | 0.2454               | 0.1998               | 0.1492                | 0.3081                | 0.3989                | 0.4238                |
| Police Pension        | 0.3034               | 0.2704               | 0.2964               | 0.3266               | 0.3328               | 0.3689               | 0.3928                | 0.2842                | 0.2127                | 0.2031                |
| Fire Pension          | 0.1684               | 0.2073               | 0.2245               | 0.2410               | 0.2319               | 0.2516               | 0.2522                | 0.1962                | 0.1706                | 0.1587                |
| Total City of Urbana: | <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>         | <u>1.3462</u>         | <u>1.3550</u>         | <u>1.3550</u>         |
| School District       | 4.2880               | 4.3507               | 4.3178               | 4.4083               | 4.5983               | 4.9537               | 5.7630                | 5.8637                | 5.9828                | 5.9249                |
| Champaign County      | 0.7389               | 0.7426               | 0.7487               | 0.7688               | 0.7841               | 0.8138               | 0.8511                | 0.8636                | 0.8672                | 0.8458                |
| Park District         | 0.6961               | 0.6962               | 0.8354               | 0.8586               | 0.9526               | 1.0115               | 1.1816                | 1.2013                | 1.2214                | 1.2106                |
| Parkland College      | 0.4688               | 0.5115               | 0.5082               | 0.5064               | 0.5120               | 0.5191               | 0.5253                | 0.5259                | 0.5460                | 0.5436                |
| Mass Transit          | 0.2544               | 0.2575               | 0.2619               | 0.2725               | 0.2831               | 0.2966               | 0.3198                | 0.3282                | 0.3332                | 0.3235                |
| Cunningham Town       | 0.1917               | 0.1875               | 0.1885               | 0.1942               | 0.2030               | 0.2164               | 0.2472                | 0.2488                | 0.2154                | 0.2064                |
| Public Health         | 0.1049               | 0.1052               | 0.1071               | 0.1075               | 0.1102               | 0.1163               | 0.1259                | 0.1290                | 0.1307                | 0.1267                |
| Forest Preserve       | 0.0779               | 0.0783               | 0.0790               | 0.0817               | 0.0843               | 0.0880               | 0.0931                | 0.0944                | 0.0947                | 0.0928                |
| Total                 | <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> | <u><u>10.6011</u></u> | <u><u>10.7464</u></u> | <u><u>10.6293</u></u> |

Source: Champaign County Clerk

**CITY OF URBANA, ILLINOIS**

**PRINCIPAL PROPERTY TAXPAYERS**  
Current Year and Nine Years Ago

| Taxpayer                             | At Fiscal Year End<br>June 30, 2017 |      |   | At Fiscal Year End<br>June 30, 2008 |      |   |
|--------------------------------------|-------------------------------------|------|---|-------------------------------------|------|---|
|                                      | Equalized<br>Assessed<br>Value      | Rank | Percentage of<br>Total City<br>Equalized<br>Assessed<br>Value | Equalized<br>Assessed<br>Value      | Rank | Percentage of<br>Total City<br>Equalized<br>Assessed<br>Value |
| The Scion Group (One Illinois) LLC   | 11,180,350                          | 1    | 2.05%   |                                     |      |   |
| MIMG XLV Town and Country Apartments | 8,602,640                           | 2    | 1.58%   | 8,340,230                           | 3    | 1.54%   |
| Bainbridge CC Urbana Apartment       | 6,087,060                           | 3    | 1.11%   |                                     |      |   |
| Tekton Group (Lincoln Melrose)       | 3,608,260                           | 10   | 0.66%   | 6,644,930                           | 4    | 1.23%   |
| Campus Property Management           | 5,097,870                           | 5    | 0.93%   | 11,805,640                          | 2    | 2.18%   |
| Amber Apartment LLC                  | 4,364,270                           | 6    | 0.80%   |                                     |      |   |
| Supervalu Inc                        | 4,148,200                           | 7    | 0.76%   |                                     |      | 0.00%   |
| Carle Foundation                     | 3,866,060                           | 8    | 0.71%   | 54,964,390                          | 1    | 10.13%  |
| Clark Lindsey Village                | 4,133,720                           | 4    | 0.76%   | 4,579,440                           | 8    | 0.84%   |
| Walmart Property                     | 3,682,380                           | 9    | 0.67%   | 5,003,350                           | 6    | 0.92%   |
| Flex-N-Gate                          |                                     |      |   | 4,914,560                           | 7    | 0.91%   |
| J. M. Jones Company                  |                                     |      |   | 4,292,870                           | 9    | 0.79%   |
| C-U Partners, Holiday Inn            |                                     |      |   | 3,772,640                           | 10   | 0.70%   |
| Urbana Associates (Capstone)         |                                     |      |   | 5,278,310                           | 5    | 0.97%   |
| <b>Total</b>                         | <b>\$ 54,770,810</b>                |      | <b>10.03%</b>   | <b>\$ 104,318,050</b>               |      | <b>19.24%</b>   |
| <br>                                 |                                     |      |   |                                     |      |   |
| Total Urbana EAV                     | \$ 545,974,455                      |      |   | \$ 542,324,212                      |      |   |

Source: Champaign County Clerk



**CITY OF URBANA, ILLINOIS**

**PROPERTY TAX LEVY AND COLLECTIONS**

Last Ten Levy Years

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| Tax<br>Levy<br>Year | Total Tax<br>Levy Extended | Collections<br>in Fiscal Year | Levy Collected<br>In Fiscal Year | Percent of<br>Collections<br>Subsequent Years | Total Tax<br>Collections | Percent of<br>Levy Collected |
|---------------------|----------------------------|-------------------------------|----------------------------------|---|--------------------------|------------------------------|
| 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%                           | 3,248,843                                     | 7,017,303                | 99.50%                       |
| 2014                | 7,045,789                  | 3,738,041                     | 53.05%                           | 3,284,566                                     | 7,022,607                | 99.67%                       |
| 2015                | 7,081,807                  | 3,719,966                     | 52.53%                           | 3,338,651                                     | 7,058,617                | 99.67%                       |
| 2016                | 7,397,954                  | 3,945,600                     | 53.33%                           | -   | 3,945,600                | 53.33%                       |

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

| Fiscal Year | Governmental Activities  |               | Business-Type Activities |                        | Total Primary Government | Percentage of Personal Income (a) | Per Capita (a) |
|-------------|--------------------------|---------------|--------------------------|------------------------|--------------------------|-----------------------------------|----------------|
|             | General Obligation Bonds | Loans Payable | Parking Bonds            | Alternate Revenue Note |                          |                                   |                |
| 2008        | -                        | -             | 675,000                  | 133,981                | 808,981                  | 0.07%                             | 21             |
| 2009        | -                        | -             | 560,000                  | 124,039                | 684,039                  | 0.05%                             | 17             |
| 2010        | -                        | -             | 435,000                  | 113,203                | 548,203                  | 0.04%                             | 14             |
| 2011        | -                        | -             | 300,000                  | 101,391                | 401,391                  | 0.03%                             | 10             |
| 2012        | -                        | -             | 155,000                  | 88,516                 | 243,516                  | 0.02%                             | 6              |
| 2013        | 3,800,000                | -             | -                        | 74,482                 | 3,874,482                | 0.26%                             | 92             |
| 2014        | 6,985,000                | -             | -                        | 59,186                 | 7,044,186                | 0.40%                             | 167            |
| 2015        | 8,670,000                | -             | -                        | 42,513                 | 8,712,513                | 0.49%                             | 206            |
| 2016        | 7,565,000                | 350,000       | -                        | 24,339                 | 7,939,339                | 0.48%                             | 188            |
| 2017        | 6,440,000                | 332,500       | -                        | -                      | 6,772,500                | 0.38%                             | 161            |

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 142.

**CITY OF URBANA, ILLINOIS**

**RATIO OF NET GENERAL BONDED DEBT OUTSTANDING**  
Last Ten Fiscal Years

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| Fiscal Year | General Obligation Bonds | Loans Payable | Total     | Percentage of Actual Taxable Value of Property | Per Capita |
|-------------|--------------------------|---------------|-----------|--|------------|
| 2008        | \$ -                     | \$ -          | \$ -      | 0.0%   | \$ -       |
| 2009        | -                        | -             | -         | 0.0%   | -          |
| 2010        | -                        | -             | -         | 0.0%   | -          |
| 2011        | -                        | -             | -         | 0.0%   | -          |
| 2012        | -                        | -             | -         | 0.0%   | -          |
| 2013        | 3,800,000                | -             | 3,800,000 | 0.7%   | 91         |
| 2014        | 6,985,000                | -             | 6,985,000 | 1.3%   | 167        |
| 2015        | 8,670,000                | -             | 8,670,000 | 1.7%   | 206        |
| 2016        | 7,565,000                | 350,000       | 7,915,000 | 1.5%   | 187        |
| 2017        | 6,440,000                | 332,500       | 6,772,500 | 1.2%   | 161        |

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 142. 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, 2017

| <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                   | \$ 34,403,000           | 86%                                    | \$ 29,703,168                                  |
| Champaign County                  | 30,831,707              | 14%                                    | 4,398,589                                      |
| Forest Preserve                   | 523,244                 | 14%                                    | 74,682   |
| Parkland College                  | 58,575,000              | 10%                                    | 6,136,232                                      |
| C-U Health District               | 823,846                 | 26%                                    | 210,750  |
| C-U Mass Transit District         | -                       | 23%                                    | -  |
| Urbana Park District              | 12,625,635              | 99%                                    | 12,552,670                                     |
| Subtotal, overlapping debt        |                         |  | 53,076,091                                     |
| City of Urbana direct debt        |                         |  | 6,772,500                                      |
| Total direct and overlapping debt |                         |  | <u>\$ 59,848,591</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, 2017

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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

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| <u>Fiscal Year</u> | <u>(1)<br/>Revenue</u> | <u>(2)<br/>Expense</u> | <u>Available for<br/>Debt Service</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------------|------------------------|---------------------------------------|------------------|-----------------|
| 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           |
| 2015               | 1,362,919              | 1,450,809              | (87,890)                              | 16,673           | 5,327           |
| 2016               | 1,423,248              | 1,272,555              | 150,693                               | 18,174           | 3,826           |
| 2017               | 1,425,183              | 1,332,959              | 92,224                                | 24,339           | 2,191           |

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 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.

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|    | <u>Total</u> | <u>(3)<br/>Coverage</u> |
|----|--------------|-------------------------|
| \$ | 153,060      | 752%                    |
|    | 159,724      | 377%                    |
|    | 164,501      | 222%                    |
|    | 172,299      | 181%                    |
|    | 177,763      | 214%                    |
|    | 182,673      | 82%                     |
|    | 21,999       | -1484%                  |
|    | 22,000       | -400%                   |
|    | 22,000       | 685%                    |
|    | 26,530       | 348%                    |

**CITY OF URBANA, ILLINOIS**

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

| Year | (1)<br>Population | (2)<br>Personal<br>Income<br><i>(thousands<br/>of dollars)</i> | (2)<br>Per Capita<br>Personal<br>Income | (1)<br>Median<br>Age | (3)<br>Education Level<br>in Years of<br>Formal Schooling | (4)<br>School<br>Enrollment | (5)<br>Unemployment<br>Rate |
|------|-------------------|--|---|----------------------|---|-----------------------------|-----------------------------|
| 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  | 37,461                                  | 24.0                 | 14.1  | 4,331                       | 8.8%                        |
| 2013 | 41,581            | 1,625,235  | 38,409                                  | 24.0                 | 14.1  | 4,454                       | 8.5%                        |
| 2014 | 41,752            | 1,638,223  | 39,237                                  | 23.8                 | 14.9  | 4,494                       | 5.7%                        |
| 2015 | 42,044            | 1,649,680  | 39,237                                  | 23.8                 | 14.9  | 4,451                       | 4.5%                        |
| 2016 | 42,311            | 1,660,157  | 39,237                                  | 23.9                 | 14.9  | 4,444                       | 5.2%                        |
| 2017 | 42,014            | 1,800,846  | 42,863                                  | 24.0                 | 15.3  | 4,604                       | 4.5%                        |

Sources:

(1) Estimate by city staff from U.S. Bureau of Census information. Median age and education levels are based on information from 2010-2014 American Community Survey 5-year estimates

(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.

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

(5) Bureau of Labor Statistics, U.S. Department of Labor, expressed as a percentage. Rate is for last quarter of fiscal year.



**CITY OF URBANA, ILLINOIS**

PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago

| <u>Employer</u>                  | 2017             |             |  | 2008             |             |  |
|----------------------------------|------------------|-------------|--|------------------|-------------|--|
|                                  | <u>Employees</u> | <u>Rank</u> | <u>Percentage of<br/>Total City<br/>Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of<br/>Total City<br/>Employment</u> |
| University of Illinois           | 14,133           | 1           | 12.8%  | 10,900           | 1           | 9.0%   |
| Carle Group                      | 5,757            | 2           | 5.2%   | 5,669            | 2           | 4.7%   |
| Champaign Schools                | 1,629            | 3           | 1.5%   | 1,378            | 3           | 1.1%   |
| Kraft Foods                      | 1,150            | 4           | 1.0%   | 1,340            | 4           | 1.1%   |
| Champaign County                 | 910              | 5           | 0.8%   |                  |             |  |
| Christie Clinic                  | 834              | 6           | 0.8%   | 740              | 7           | 0.6%   |
| Urbana Schools                   | 732              | 7           | 0.7%   | 730              | 8           | 0.6%   |
| Parkland College                 | 725              | 8           | 0.7%   |                  |             |  |
| Presence Covenant Medical Center | 650              | 9           | 0.6%   | 1,200            | 5           | 1.0%   |
| Plastipak                        | 606              | 10          | 0.6%   |                  |             |  |
| Solo Cup                         |                  |             |  | 950              | 6           | 0.8%   |
| Hobbico                          |                  |             |  | 700              | 9           | 0.6%   |
| Total                            | <u>27,126</u>    |             | <u>24.7%</u>                                       | <u>23,607</u>    |             | <u>19.5%</u>                                       |

Sources: Champaign County Economic Development Corporation.

**CITY OF URBANA, ILLINOIS**

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

| Function/Program                       | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Public Safety</b>                   |              |              |              |              |              |              |              |              |              |              |
| Police safety                          |              |              |              |              |              |              |              |              |              |              |
| Sworn                                  | 55.0         | 55.0         | 55.0         | 55.0         | 55.0         | 54.0         | 55.0         | 55.0         | 55.0         | 57.0         |
| Civilian                               | 22.0         | 22.0         | 22.0         | 22.0         | 22.0         | 22.0         | 17.8         | 17.3         | 17.0         | 15.5         |
| Fire safety                            |              |              |              |              |              |              |              |              |              |              |
| Sworn                                  | 57.0         | 57.0         | 57.0         | 56.0         | 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          | 2.0          | 2.5          | 2.5          | 2.5          |
| <b>Highways and Streets</b>            |              |              |              |              |              |              |              |              |              |              |
| Administration                         | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 4.0          | 4.0          | 4.0          |
| Maintenance                            | 32.5         | 32.5         | 32.5         | 29.5         | 32.5         | 32.5         | 32.7         | 29.0         | 28.5         | 28.45        |
| Engineering                            | 12.5         | 12.5         | 13.5         | 13.5         | 13.5         | 13.5         | 13.9         | 12.3         | 11.3         | 11.7         |
| Fleet                                  | 4.5          | 4.5          | 4.5          | 4.5          | 4.5          | 4.5          | 4.5          | 4.1          | 4.1          | 4.1          |
| Arbor                                  | 13.0         | 13.0         | 13.0         | 13.0         | 13.0         | 13.0         | 14.8         | 15.0         | 15.0         | 15.0         |
| Facilities                             | 9.5          | 9.5          | 9.5          | 9.5          | 9.5          | 9.5          | 9.8          | 8.8          | 8.3          | 8.3          |
| Environmental                          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          |
| <b>General Government</b>              |              |              |              |              |              |              |              |              |              |              |
| Administration                         | 4.5          | 4.5          | 4.5          | 3.5          | 3.5          | 3.5          | 3.5          | 3.5          | 3.5          | 3.5          |
| Legal                                  | 5.0          | 5.0          | 5.0          | 4.0          | 4.0          | 4.0          | 5.0          | 5.0          | 5.0          | 5.0          |
| Human resources                        | 3.0          | 3.0          | 3.0          | 3.0          | 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          | 1.5          | 1.5          | 1.5          | 2.0          |
| Finance                                | 8.0          | 8.0          | 8.0          | 8.0          | 8.0          | 11.8         | 12.0         | 12.0         | 12.5         | 12.5         |
| Information technology                 | 11.0         | 11.0         | 11.0         | 11.0         | 11.0         | 10.0         | 10.3         | 11.3         | 10.9         | 11.2         |
| City clerk                             | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          |
| <b>Urban Redevelopment and Housing</b> |              |              |              |              |              |              |              |              |              |              |
| Planning                               | 7.5          | 7.5          | 7.5          | 6.5          | 7.5          | 7.5          | 7.3          | 7.3          | 5.8          | 5.8          |
| Economic development                   | 4.3          | 4.3          | 4.3          | 4.3          | 4.3          | 4.3          | 4.8          | 5.8          | 5.8          | 6.0          |
| Building safety                        | 8.0          | 8.0          | 8.0          | 8.0          | 8.0          | 8.0          | 7.8          | 8.8          | 9.8          | 9.8          |
| Housing                                | 4.2          | 4.2          | 4.2          | 4.2          | 4.2          | 4.2          | 4.0          | 4.0          | 3.7          | 3.7          |
| <b>Total</b>                           | <u>276.0</u> | <u>276.0</u> | <u>277.0</u> | <u>270.0</u> | <u>275.0</u> | <u>276.8</u> | <u>277.4</u> | <u>273.0</u> | <u>270.1</u> | <u>271.9</u> |

Source: City Finance Department

CITY OF URBANA, ILLINOIS

OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years

| Function/Program                                   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013    | 2014    | 2015   | 2016   | 2017   |
|--|--------|--------|--------|--------|--------|---------|---------|--------|--------|--------|
| Public Safety                                      |        |        |        |        |        |         |         |        |        |        |
| Police Department                                  |        |        |        |        |        |         |         |        |        |        |
| Arrests  | 7,227  | 7,442  | 7,251  | 6,146  | 6,170  | 5,956   | 6,895   | 6,830  | 6,233  | 5,151  |
| Service calls                                      | 21,480 | 21,967 | 20,964 | 20,066 | 20,646 | 20,100  | 20,487  | 19,397 | 17,418 | 24,166 |
| Reports written                                    | 6,277  | 7,163  | 7,119  | 7,083  | 7,304  | 7,108   | 7,701   | 7,411  | 6,856  | 6,665  |
| Parking tickets issued                             | 42,772 | 35,143 | 33,601 | 24,436 | 24,666 | 22,744  | 21,823  | 22,439 | 16,382 | 22,255 |
| Fire Department                                    |        |        |        |        |        |         |         |        |        |        |
| Fires  | 175    | 194    | 172    | 186    | 291    | 258     | 207     | 188    | 217    | 173    |
| Overpressure, explosion, overhear                  | 7      | 12     | 11     | 8      | 13     | 5       | 13      | 13     | 10     | 11     |
| Rescue EMS   | 2,126  | 2,134  | 2,141  | 2,285  | 2,325  | 2,412   | 2,713   | 2,556  | 2,618  | 2,561  |
| Hazardous condition                                | 171    | 221    | 217    | 253    | 239    | 248     | 257     | 220    | 223    | 192    |
| Service call                                       | 332    | 343    | 434    | 456    | 467    | 560     | 679     | 737    | 598    | 617    |
| Good intent  | 478    | 452    | 475    | 434    | 430    | 380     | 486     | 464    | 407    | 372    |
| False alarm or false call                          | 1,111  | 1,097  | 1,072  | 1,004  | 1,000  | 1,064   | 1,065   | 1,002  | 1,046  | 829    |
| Severe weather or natural disaster                 | 6      | -      | 2      | 4      | 5      | 2       | 5       | 3      | 2      | -      |
| Special incident                                   | 4      | 3      | 4      | 5      | 2      | 4       | 2       | 3      | -      | 3      |
| Uncoded  | 75     | -      | -      | -      | -      | -       | -       | -      | -      | -      |
| Inspections:                                       |        |        |        |        |        |         |         |        |        |        |
| Fire/CD combined                                   | **     | **     | **     | **     | **     | 39      | -       | -      | -      | -      |
| Certified housing                                  | **     | **     | **     | **     | **     | 18      | 23      | 23     | 42     | 39     |
| Commercial   | **     | **     | **     | **     | **     | 842     | 1,037   | 1,056  | 848    | 997    |
| Hotel/Motel  | **     | **     | **     | **     | **     | **      | **      | **     | 7      | 0      |
| Multi family                                       | **     | **     | **     | **     | **     | 252     | 333     | 355    | 384    | 284    |
| Residential  | **     | **     | **     | **     | **     | 49      | 23      | 31     | 23     | 5      |
| U of I fire inspection                             | **     | **     | **     | **     | **     | 44      | 70      | 72     | 69     | 61     |
| Highways and Streets                               |        |        |        |        |        |         |         |        |        |        |
| Street resurfacing (sq. yard asphalt and concrete) | 41,000 | 37,550 | 48,182 | 62,010 | 63,248 | 129,271 | 137,354 | 73,142 | 47,216 | 70,987 |
| Recycling, tons of waste collected (1000's)        |        |        |        |        |        |         |         |        |        |        |
| Non-landscape                                      | 6.2    | 7.8    | 7.3    | 8.6    | 8.8    | 9.6     | 0.5     | 10.0   | 5.7    | 5.3    |
| Landscape  | 14.5   | 19.0   | 20.3   | 16.9   | 21.9   | 17.9    | 17.3    | 16.5   | 10     | 11.8   |
| General Government                                 |        |        |        |        |        |         |         |        |        |        |
| Licenses/permits processed                         | 810    | 793    | 792    | 833    | 877    | 992     | 1,035   | 1,044  | 1,018  | 939    |
| Parking rentals and permits                        | 1,917  | 1,827  | 1,837  | 1,815  | 1,815  | 1,762   | 1,575   | 1,621  | 1,542  | 1,610  |
| Urban Redevelopment and Housing                    |        |        |        |        |        |         |         |        |        |        |
| Permits issued                                     | 1,852  | 1,642  | 1,627  | 1,456  | 1,513  | 1,346   | 1,610   | 1,417  | 1,472  | 1,635  |
| Zoning/planning cases                              | 59     | 76     | 54     | 51     | 75     | 43      | 85      | 91     | 77     | 84     |

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

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| <u>Function/Program</u> | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Highways and Streets    |        |        |        |        |        |        |        |        |        |        |
| Area City (sq. mi.)     | 11.6   | 11.7   | 11.9   | 11.9   | 11.9   | 11.9   | 11.9   | 11.9   | 11.9   | 11.9   |
| Miles streets           | 141.6  | 144.6  | 145.5  | 145.5  | 143.8  | 143.8  | 143.8  | 143.8  | 138.4  | 145.5  |
| Miles sewers            | 225.7  | 235.6  | 237.3  | 241.0  | 241.9  | 243.0  | 243.8  | 244.7  | 244.3  | 245.7  |
| Street lights           | 3,569  | 3,569  | 3,619  | 3,659  | 3,688  | 3,651  | 3,768  | 3,781  | 3,791  | 3,793  |
| City trees              | 12,580 | 12,610 | 12,640 | 12,670 | 12,700 | 11,572 | 11,479 | 11,165 | 10,793 | 10,750 |

Source: Various city departments.

**CITY OF URBANA, ILLINOIS**

COMMUNICATION TO THOSE CHARGED  
WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended June 30, 2017

# 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, 2017, 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 a deficiency in internal control that we consider to be a material weakness 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 deficiency in the City's internal control to be a material weakness:

> External Financial Reporting

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 – Payroll
- > Segregation of Duties – Journal Entries
- > Information Technology Control Environment

The City of Urbana's written responses to the material weakness and significant deficiencies 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.

*Baker Tilly Veitchau Krause, LLP*

Oak Brook, Illinois  
December 20, 2017



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## EXTERNAL FINANCIAL REPORTING

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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, and preparing note disclosures. 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.
- > 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.

*Management Response: Current staffing levels are not adequate to prepare financial reports at the end of each year. Professional Finance staff will continue to engage in professional development activities related to financial reporting during the course of the year. 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.*

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## SEGREGATION OF DUTIES – PAYROLL

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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 the following deficiency related to proper segregation of duties around the payroll process.

- > The same individual is responsible for changing pay rates and benefits, updating time records for hourly employees and processing payroll. This presents a segregation of duties concern as one individual has significant control over a majority of the 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. We recommend segregating these responsibilities among multiple employees and limit access within the system such that segregated responsibilities could not be circumvented.

The absence of these controls could result in errors to financial data or could allow the misappropriation of City assets to be concealed. We noted that the risks associated with this deficiency were mitigated by compensating controls. Specifically, we noted that prior to printing, stamping and distributing payroll checks, payroll data is reviewed by an individual other than the individual responsible for other payroll functions. Additionally, management completes a periodic review of financial performance, including an analysis of budget to actual results. Placing reliance on these controls greatly mitigates the risk of material misstatement; however, they do not completely eliminate the risks associated with the deficiency identified above. As such, we are still required to report a significant deficiency on this matter.

*Management Response: The Accounting Supervisor reviews payroll before checks are issued, paying specific attention to exceptions to budget, changes in pay rates, and revisions to department time entry. The Account Clerk assigned to prepare payroll does not have the ability to process the payroll and run checks. Access to those processes has been restricted to management staff, and this task is normally performed by the Accounting Supervisor.*

*Additional controls related to changes in pay rates and benefits will be part of a new financial management system. Changes in pay rates and benefits are currently performed by the account clerk responsible for payroll. However, the new financial management system will include a human resources component, which will allow Human Resources staff to initiate those changes and electronically route them for approval. Upon final approval, they will become active, requiring no entry by the account clerk.*

*City staff prepares a quarterly financial report comparing budget to actual within 30 days of the end of each quarter. As part of preparation of the report, budget to actual information is reviewed for reasonableness and interfund transfers are updated. In addition, the report is distributed to the City Council for their review. Internal reports comparing budget to actual are produced on a weekly basis.*

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## SEGREGATION OF DUTIES – JOURNAL ENTRIES

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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 are vital to the integrity of a strong control environment. We've noted the following deficiency in the month-end close processes.

- > While journal entries are reviewed and approved by someone other than the original preparer, we noted that multiple employees have access to prepare and post journal entries to the financial accounting system without the required approval. The system does not require secondary review prior to posting to the system. We recommend that access to post journal entries be restricted to necessary employees only.

The City's Finance Director does perform a weekly review of all journal entries processed during the week and approves all entries after the review. Although the City has this compensating control to mitigate the risk associated with the lack of secondary review requirements within the financial accounting system, the review procedures do not completely eliminate the risk associated with the deficiency. As such, we are still required to report a significant deficiency on this matter.

*Management Response: All journal entries are now reviewed by at least one manager, in addition to the person preparing the journal entry. There is no system control requiring secondary review prior to posting. However, that will be part of a new financial management system. At the end of each week, the Finance Director reviews and approves a listing of all journal entries processed during the week and follows up, if appropriate.*

*The new financial management system will allow electronic routing of journal entries for approval, with posting permitted only after final approval.*

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## INFORMATION TECHNOLOGY CONTROL ENVIRONMENT

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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.
- > A formal 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.
- > All financially impacted applications should have a login and password which is unique for every user and the user name should not be shared by anyone. A user should not have more than one username and shared system accounts should be removed/disabled.

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 has agreed to review and consider a policy on change management. However, benefits are reduced by the lack of documentation on the status quo. Ultimately, this concern will be addressed by using a standardized financial management system, in which changes are controlled by an outside vendor. Staff is in the process of implementing a new financial management system to replace the current custom-built system, and expects to go live with financials on that system on February 5, 2018, and payroll on April 1, 2018.*

*IT staff has implemented complex password rules for the financial management system and other applications on the Power7 computer.*

*Review of access rights to the financial management system is complicated by the complicated nature of controls over access and has not been completed, although some adjustments have been made. The new financial system will provide a complete audit trail of all changes, which will be reviewed on a regular basis.*

*A secondary machine has been readied as a backup for the Power7 computer. The backup process has been automated and the fail-over process has been tested. The secondary machine has been moved off site so that conditions, such as a sustained power outage or natural disaster, affecting the current machine will be unlikely to affect the secondary machine. The new financial system is hosted at an out of State location and will automatically fall over to a backup location in the event of an outage at the primary site.*

**OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE**

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## TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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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.

With respect to the audit of your financial statements:

- a. We address the significant risks or 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 the 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. Since our audit is performed 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 (a) 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 (b) 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 or material noncompliance, whether due to fraud or error, through our detailed audit procedures.

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**TWO WAY COMMUNICATION REGARDING YOUR AUDIT (continued)**

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- 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 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's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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. Since our audit is performed in accordance with *Government Auditing Standards* and the Uniform Guidance, 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 the Uniform Guidance 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.
- g. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, which we also audit.

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**TWO WAY COMMUNICATION REGARDING YOUR AUDIT (continued)**

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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?

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 would also like 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. We will perform preliminary financial audit work during the month of June or July. Our final financial fieldwork is scheduled during the early 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 4-8 weeks after final fieldwork, but may vary depending on a number of factors.

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 or wish to provide other feedback. We welcome the opportunity to talk with you.



**COMMUNICATION OF INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT  
MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES**

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**PROFESSIONAL STANDARDS UPDATE**

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The following is a schedule of GASB projects:

| <b>Task or Event</b>   | <b>Effective Date</b> | <b>Impact</b>  |
|--|-----------------------|--|
| GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions | June 30, 2018         | This standard has similarities to the previous OPEB standards, most notably the definition of an OPEB and the option of the alternative measurement method for small governments. However, the calculation and reporting of the OPEB liability and various required disclosures will change under the new standard, becoming similar to the pension standards.   |
| GASB No. 81 – Irrevocable Split-Interest Agreements  | June 30, 2018         | The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.   |
| GASB No. 83 – Asset Retirement Obligations   | June 30, 2019         | The objective of this Statement is to improve financial reporting by developing requirements on recognition and measurement for asset retirement obligations, other than landfills.  |
| GASB No. 84 – Fiduciary Activities   | June 30, 2020         | The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.   |
| GASB No. 85 – Omnibus 2017   | June 30, 2018         | The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).  |
| GASB No. 86 – Certain Debt Extinguishment Issues   | June 30, 2018         | The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. |
| GASB No. 87– Leases  | June 30, 2021         | The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.  |

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**PROFESSIONAL STANDARDS UPDATE (continued)**

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| <b>Task or Event</b>   | <b>Effective Date</b>   | <b>Impact</b>   |
|--|---|---|
| Current Agenda<br>Project: Debt<br>Disclosures—Including<br>Direct Borrowing | Proposed effective<br>date – June 30, 2019<br>(Exposure Draft<br>issued in June 2017)   | The objective of this project is to improve the<br>information that is disclosed in notes to government<br>financial statements related to debt, including debt<br>borrowings and direct placements.  |
| Current Agenda<br>Project: Equity Interest<br>Ownership Issues               | The GASB is<br>scheduled to issue an<br>Exposure Draft in the<br>first quarter of 2018  | The objective of this project is to consider<br>improvements in financial reporting related to the<br>reporting of majority equity ownership in legally<br>separate entities.   |
| Current Agenda<br>Project: Capitalization<br>of Interest Cost                | The GASB is<br>scheduled to issue an<br>Exposure Draft in the<br>fourth quarter of 2017 | The objective of this project is to reconsider the<br>accounting and financial reporting standards for<br>capitalization of interest cost, with the goal of<br>enhancing the relevance of capital asset information<br>and potentially simplifying financial reporting. |

The GASB has a project on hold (conceptual framework for recognition) pending the reexamination of the financial reporting model.

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 December 2016, the GASB issued an Invitation to Comment, *Financial Reporting Model Improvements—Governmental Funds*, which discusses three proposed models for governmental fund recognition and reporting. The GASB is currently continuing deliberations on governmental funds recognition and reporting, and other areas of the project. The GASB plans to issue an Exposure Draft in the second quarter of 2020.

In addition, the GASB is deliberating revenue and expense recognition to develop a comprehensive application model for the recognition of revenues and expenses that arise from nonexchange, exchange, and exchange-like transactions, including guidance for exchange transactions that have not been specifically addressed in the current literature. The GASB is scheduled to issue an Invitation to Comment in the first quarter of 2018, which will be followed by an Exposure Draft in future years. 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](http://www.gasb.org).

**REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE**

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 the City of Urbana for the year ended June 30, 2017, and have issued our report thereon dated December 20, 2017. 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 THE UNIFORM GUIDANCE***

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's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 City Council of their responsibilities.

We considered the City of Urbana's internal control over financial reporting to determine the audit 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 the City of Urbana's internal control over financial reporting. We also considered internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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 grant agreements, 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 the Uniform Guidance, 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) Compliance Supplement* that could have a direct and material effect on each of your major federal programs for the purpose of expressing an opinion on the City of Urbana's compliance with those requirements. While our audit provides a reasonable basis for our opinion on compliance, it does not provide a legal determination of 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 Uniform Guidance.

To the Honorable Mayor and Members of the City Council  
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 prior year Communication to Those Charged with Governance and Management dated December 9, 2016.

***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 changed accounting policies related to financial reporting of tax abatements by adopting the Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*.

We noted no transactions entered into by the City 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 liability
- Deferred outflows and inflows related to pensions
- 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.

To the Honorable Mayor and Members of the City Council  
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 did not identify material adjustments to the City's financial information. All adjustments identified and recorded during the audit were deemed, individually and in aggregate, to be immaterial to the financial statements. These entries have been furnished to management.

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.

***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.

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

### ***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, 2017, 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
- > Preparation of auditee section of data collection form

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.

### ***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.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, 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.

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.



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

*RESTRICTION OF USE*

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.

*Baker Tilly Virchow Krause, LLP*

Oak Brook, Illinois  
December 20, 2017

**MANAGEMENT REPRESENTATIONS**



## CITY OF URBANA, ILLINOIS

December 20, 2017

Baker Tilly Virchow Krause, LLP  
1301 W. 22nd Street  
Suite 400  
Oak Brook, IL 60523

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Urbana as of June 30, 2017 and for the year then ended for the purpose of expressing opinions as to whether the financial statements 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 and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

### *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

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4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
9. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
11. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

*Information Provided*

12. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.

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15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
16. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

*Other*

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
22. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
23. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
24. There are no:
  - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
  - d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

25. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

- a. Financial statement preparation
- b. Adjusting journal entries
- c. Preparation of auditee section of data collection form

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

26. The City of Urbana has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. The City of Urbana has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
28. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any.
29. The financial statements properly classify all funds and activities.
30. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
31. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
32. The City of Urbana has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
33. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
39. Tax-exempt bonds issued have retained their tax-exempt status.

40. We have appropriately disclosed the City of Urbana's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
42. With respect to the supplementary information, (SI):
- a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
43. We assume responsibility for, and agree with, the findings of specialists in evaluating the other postemployment benefit obligation, deferred outflows/inflows related to pensions, and net pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
44. We assume responsibility for, and agree with, the information provided by the IMRF as audited by RSM relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
45. We have appropriately disclosed all material tax abatement agreements in accordance with GASB No. 77.
46. With respect to federal award programs:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
  - b. We acknowledge our responsibility for presenting the SEFA in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB Compliance Supplement relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation agreements, and internal or external monitoring that directly relate to the objectives of the compliance audit, if any, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.



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- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
- u. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- v. We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- z. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Sincerely,

City of Urbana

Signed:   
Diane Marlin, Mayor

Signed:   
Elizabeth Hannan, Finance Director

**City of Urbana**  
**SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS**

As of and for the Year Ended June 30, 2017

|                         | Financial Statements Effect -<br>Debit (Credit) to Financial Statement Total |  |  |                           |   |  |  |
|-------------------------|--|--|--|---------------------------|---|--|--|
|                         | <u>Total Assets/<br/>Deferred Outflows</u>                                   | <u>Total Liabilities/<br/>Deferred Inflows</u> | <u>Total<br/>Net Position/<br/>Fund Balances</u> | <u>Total<br/>Revenues</u> | <u>Total<br/>Expenses/<br/>Expenditures</u> | <u>Change in<br/>Net Position/<br/>Fund Balances</u> | <u>Beginning<br/>Net Position/<br/>Fund Balances</u> |
| Governmental Activities | \$ -   | \$ 335,979                                     | \$ (335,979)                                     | \$ (11,816)               | \$ (197,441)                                | \$ (209,257)   | \$ (126,722)   |
| Motor Fuel Tax Fund     | -  | -  | -  | -                         | (6,342)                                     | (6,342)  | -  |
| All Remaining Funds     | -  | -  | -  | (38,347)                  | -   | (38,347)   | 38,347   |



**CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND**

December 20, 2017

Baker Tilly Virchow Krause, LLP  
1301 W. 22nd Street  
Suite 400  
Oak Brook, IL 60523

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Urbana Police Pension Fund, a pension trust fund of the City of Urbana, as of June 30, 2017 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the statement of plan net position of the City of Urbana Police Pension Fund and the respective changes in plan net position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the pension required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
9. All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
11. Guarantees, whether written or oral, under which the Pension Board is contingently liable, if any, have been properly recorded or disclosed.

*Information Provided*

12. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Pension Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

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16. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

*Other*

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. The Pension Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
20. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
21. There are no:
  - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
22. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
  - a. Financial statement preparation  
  
None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
23. The City of Urbana Police Pension Fund has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
24. The City of Urbana Police Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
25. The financial statements properly classify all funds and activities.

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26. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
27. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
28. The City of Urbana Police Pension Fund has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
29. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.
30. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
31. We assume responsibility for, and agree with, the findings of specialists in evaluating the net pension liability and deferred outflows/inflows related to pensions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

Sincerely,

City of Urbana Police Pension Fund

Signed:



Signed:





**CITY OF URBANA, ILLINOIS  
FIRE PENSION FUND**

December 20, 2017

Baker Tilly Virchow Krause, LLP  
1301 W. 22nd Street  
Suite 400  
Oak Brook, IL 60523

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Urbana Firefighters' Pension Fund, a component unit of the City of Urbana, as of June 30, 2017 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the statement of plan net position of the City of Urbana Firefighters' Pension Fund and the respective changes in plan net position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the pension required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
9. All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
11. Guarantees, whether written or oral, under which the Pension Board is contingently liable, if any, have been properly recorded or disclosed.

*Information Provided*

12. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Pension Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.



15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
16. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

*Other*

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. The Pension Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
20. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
21. There are no:
  - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
22. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
  - a. Financial statement preparation

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
23. The City of Urbana Firefighters' Pension Fund has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
24. The City of Urbana Firefighters' Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

25. The financial statements properly classify all funds and activities.
26. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
27. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
28. The City of Urbana Firefighters' Pension Fund has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
29. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.
30. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
31. We assume responsibility for, and agree with, the findings of specialists in evaluating the net pension liability and deferred outflows/inflows related to pensions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.


Sincerely,

City of Urbana Firefighters' Pension Fund

Signed:



Signed:



# **CITY OF URBANA, ILLINOIS**

REPORT ON FEDERAL AWARDS

For the Year Ended June 30, 2017

# CITY OF URBANA, ILLINOIS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Urbana's basic financial statements, and have issued our report thereon dated December 20, 2017. The financial statements of the Urbana Free Library, the City of Urbana Police Pension Fund, and the City of Urbana Firefighters' Pension Fund were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Urbana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Urbana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Urbana's 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness 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 a 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

Honorable Mayor and Members of the City Council  
City of Urbana

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003 and 2017-004 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Urbana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Urbana's Responses to Findings**

The City of Urbana's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Urbana's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Baker Tilly Virchow Krause, LLP*

Oak Brook, Illinois  
December 20, 2017

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

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

**Report on Compliance for the Major Federal Program**

We have audited the City of Urbana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Urbana's major federal program for the year ended June 30, 2017. The City of Urbana's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the City of Urbana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

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



Honorable Mayor and Members of the City Council  
City of Urbana

### **Purpose of this Report**

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Urbana's basic financial statements. We issued our report thereon dated December 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Oak Brook, Illinois  
December 20, 2017

**CITY OF URBANA, ILLINOIS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2017

| Federal Grantor/Pass Through Grantor/Program or Cluster Title       | CFDA<br>Number | Grant<br>Number    | Federal<br>Expenditures | Passed Through<br>To Subrecipients |
|---|----------------|--------------------|-------------------------|------------------------------------|
| <b>U.S. Department of Housing and Urban Development:</b>            |                |                    |                         |                                    |
| <i>Direct Funding:</i>  |                |                    |                         |                                    |
| Home Investment Partnerships Program (M)                            |                |                    |                         |                                    |
| Home Investment Partnerships Program                                | 14.239         | M-16-DC-17-0217    | \$ 145,796              | \$ 30,000                          |
| Home Investment Partnerships Program                                | 14.239         | M-15-DC-17-0217    | 97,963                  | 97,963                             |
| Home Investment Partnerships Program                                | 14.239         | M-14-DC-17-0217    | 77,094                  | 210                                |
| Home Investment Partnerships Program                                | 14.239         | M-13-DC-17-0217    | <u>217,688</u>          | <u>294,572</u>                     |
| Subtotal Home Investment Partnerships Program (M):                  |                |                    | 538,541                 | 422,745                            |
| CDBG - Entitlement Grants Cluster                                   |                |                    |                         |                                    |
| Community Development Block Grants/Entitlement Grants               |                |                    |                         |                                    |
| Community Development Block Grant                                   | 14.218         | B-16-MC-17-0024    | 275,494                 | 37,262                             |
| Community Development Block Grant                                   | 14.218         | B-15-MC-17-0024    | 42,362                  | 42,362                             |
| Community Development Block Grant                                   | 14.218         | B-14-MC-17-0024    | <u>54,017</u>           | <u>54,017</u>                      |
| Subtotal CDBG - Entitlement Grants Cluster:                         |                |                    | 371,873                 | 133,641                            |
| Supportive Housing Program  | 14.235         | IL0037L5T031508    | 89,036                  | 87,170                             |
| Subtotal Direct Funding:  |                |                    | 999,450                 | 643,556                            |
| <i>Passed through Illinois Department of Human Services:</i>        |                |                    |                         |                                    |
| Emergency Solutions Grant Program                                   |                |                    |                         |                                    |
| Emergency Solutions Grant Program                                   | 14.231         | FCSVH03755         | 27,470                  | 23,667                             |
| Emergency Solutions Grant Program                                   | 14.231         | FCSUH03755         | <u>3,080</u>            | <u>3,080</u>                       |
| Subtotal Emergency Solutions Grant Program:                         |                |                    | 30,550                  | 26,747                             |
| <b>Total U.S. Department of Housing and Urban Development:</b>      |                |                    | <u>1,030,000</u>        | <u>670,303</u>                     |
| <b>U.S. Department of Transportation:</b>                           |                |                    |                         |                                    |
| <i>Passed through Illinois Department of Transportation (IDOT):</i> |                |                    |                         |                                    |
| Highway Planning and Construction Cluster                           |                |                    |                         |                                    |
| Highway Planning and Construction                                   |                |                    |                         |                                    |
| Lincoln Avenue Location Study                                       | 20.205         | R-95-310-15        | <u>141,754</u>          | -                                  |
| Subtotal Highway Planning and Construction Cluster:                 |                |                    | <u>141,754</u>          | -                                  |
| <b>Total U.S. Department of Transportation:</b>                     |                |                    | <u>141,754</u>          | -                                  |
| <b>U.S. Department of Justice:</b>                                  |                |                    |                         |                                    |
| <i>Direct Funding:</i>  |                |                    |                         |                                    |
| Bulletproof Vest Partnership Program                                |                |                    |                         |                                    |
| Bulletproof Vest Partnership Program                                | 16.607         | 2015-BUBX-15079224 | 3,244                   | -                                  |
| Bulletproof Vest Partnership Program                                | 16.607         | 2016-BUBX-16084254 | <u>756</u>              | -                                  |
| Subtotal Bulletproof Vest Partnership:                              |                |                    | 4,000                   | -                                  |
| <i>Passed through City of Champaign:</i>                            |                |                    |                         |                                    |
| Edward Bryne Memorial Justice Assistance Grant                      |                |                    |                         |                                    |
| Edward Bryne Memorial Justice Assistance Grant                      | 16.738         | 2015-H2782-IL-DJ   | 617                     | -                                  |
| Edward Bryne Memorial Justice Assistance Grant                      | 16.738         | 2016-H2728-IL-DJ   | <u>5,374</u>            | -                                  |
| Subtotal Edward Bryne Memorial Justice Assistance Grant:            |                |                    | <u>5,991</u>            | -                                  |
| <b>Total U.S. Department of Justice:</b>                            |                |                    | <u>9,991</u>            | -                                  |
| <b>National Endowment for the Arts</b>                              |                |                    |                         |                                    |
| <i>Direct Funding:</i>  |                |                    |                         |                                    |
| Promotion of the Arts - Grants to Organizations and Individuals     | 45.024         | 16-4292-7101       | <u>22,945</u>           | -                                  |
| <b>Total expenditures of federal awards:</b>                        |                |                    | <u>\$ 1,204,690</u>     | <u>\$ 670,303</u>                  |

(M) Denotes major program.

# CITY OF URBANA, ILLINOIS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2017

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### **NOTE 1 – BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the City of Urbana, Illinois under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Urbana, Illinois, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Urbana, Illinois.

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., 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. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

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### **NOTE 3 – INDIRECT COST RATE**

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The City of Urbana has not elected to use the 10% de minimis indirect cost rate.

## CITY OF URBANA, ILLINOIS

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2017

#### NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Urbana, Illinois provided federal awards to subrecipients as follows:

| Grant Program / Subrecipient              | CFDA Number  | Amount                   |
|---|--------------|--------------------------|
| Home Investment Partnership Program:      | 14.239       |                          |
| City of Champaign, Illinois               |              | \$ 56,900                |
| Champaign County                          |              | 85,122                   |
| Habitat for Humanity                      |              | 165,463                  |
| Courage Connection                        |              | 6,036                    |
| Highland Green                            |              | 76,884                   |
| Rosecrance                                |              | 32,340                   |
| Total Home Investment Partnership Program |              | <u>422,745</u>           |
| Community Development Block Grants:       | 14.218       |                          |
| Property Acquisition/Demo                 |              | 75,102                   |
| Senior Repair                             |              | 6,948                    |
| Emergency/Access Grant                    |              | 46,591                   |
| Consolidated Social Services              |              |                          |
| Champaign County RPC                      |              | 2,000                    |
| PACE                                      |              | 3,000                    |
| Total Community Development Block Grant   |              | <u>133,641</u>           |
| Supportive Housing Program                | 14.265       |                          |
| Center for Women in Transition (AWP)      |              | 12,468                   |
| Center for Women in Transition (EF)       |              | 74,702                   |
| Total Continuum of Care Program           |              | <u>87,170</u>            |
| Emergency Solutions Grant Program:        | 14.231       |                          |
| Crisis Nursery                            |              | 6,240                    |
| Rosecrance                                |              | 20,507                   |
| Total Emergency Solutions Grant Program   |              | <u>26,747</u>            |
|   | <b>TOTAL</b> | <b>\$ <u>670,303</u></b> |

# CITY OF URBANA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

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#### *FINANCIAL STATEMENTS*

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- > Material weakness (es) identified?        X   Yes             no
- > Significant deficiency (ies) identified?        X   Yes             none reported

Noncompliance material to financial statements noted?             Yes        X   no

#### *FEDERAL AWARDS*

Internal control over major programs:

- > Material weakness (es) identified?             yes        X   no
- > Significant deficiency (ies) identified?             yes        X   none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?             yes        X   no

Auditee qualified as low-risk auditee?             yes        X   no

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.239                | Home Investment Partnerships Program      |

Dollar threshold used to distinguish between type A and type B programs:            \$ 750,000

# CITY OF URBANA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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**Finding No.** 2017-001 (reported in the prior year as finding 2016-001)

**Criteria:** The City does not maintain an external financial reporting department or function, but relies on its audit firm for this purpose.

**Condition:** The City has outsourced the preparation of the financial statements to the auditors due to lack of funds for training and the small size of the City's accounting department.

**Context:** The City relies heavily on their external auditor to draft the individual fund statements, make conversion entries, draft the government-wide statements, and prepare note disclosures.

**Effect:** The financial results of certain funds within the City's financial statements could be materially misstated.

**Recommendation:** We recommend the City consider providing increased training to accounting staff and, if budgetary constraints allow, hire sufficient staffing to prepare the financial statements. Given the economic situation of the City and most municipalities in Illinois, relying upon the auditors to prepare the financial statements with City accounting staff completing a review of the reports may be the most practical option in lieu of hiring additional staffing.

**Management's Response:** *Current staffing levels are not adequate to prepare financial reports at the end of each year. Professional Finance staff will continue to engage in professional development activities related to financial reporting during the course of the year. 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.*

# CITY OF URBANA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

---

### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

---

**Finding No.** 2017-002 (reported in the prior year as finding 2016-002)

**Criteria:** The City does not have proper segregation of duties around the payroll process.

**Condition:** 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. The City has implemented compensating review controls to partially mitigate the risks from lack of segregation of duties.

**Context:** The City currently does not have the staffing levels for these segregation of duties to exist.

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

**Recommendation:** We recommend segregating responsibilities among multiple employees and limit access within the system such that segregated responsibilities could not be circumvented.

**Management's Response:** *The Accounting Supervisor reviews payroll before checks are issued, paying specific attention to exceptions to budget, changes in pay rates, and revisions to department time entry. The Account Clerk assigned to prepare payroll does not have the ability to process the payroll and run checks. Access to those processes has been restricted to management staff, and this task is normally performed by the Accounting Supervisor.*

*Additional controls related to changes in pay rates and benefits will be part of a new financial management system. Changes in pay rates and benefits are currently performed by the account clerk responsible for payroll. However, the new financial management system will include a human resources component, which will allow Human Resources staff to initiate those changes and electronically route them for approval. Upon final approval, they will become active, requiring no entry by the account clerk.*

*City staff prepares a quarterly financial report comparing budget to actual within 30 days of the end of each quarter. As part of preparation of the report, budget to actual information is reviewed for reasonableness and interfund transfers are updated. In addition, the report is distributed to the City Council for their review. Internal reports comparing budget to actual are produced on a weekly basis.*

# CITY OF URBANA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

---

**Finding No.** 2017-003 (reported in the prior year as finding 2016-003)

**Criteria:** An effective internal control system should include segregation of duties around journal entries, including the restriction of access within the financial accounting software.

**Condition:** While journal entries are reviewed and approved by someone other than the original preparer, multiple employees at the City can prepare and post journal entries into the financial accounting system without the required review and approval.

**Context:** The financial accounting system does not have the capability to require secondary review prior to posting to the system.

**Effect:** The lack of access restrictions within the financial accounting software present a significant risk that inappropriate activity may take place and be hidden through malfeasant journal entries.

**Recommendation:** We recommend that access to post journal entries to the financial accounting software be restricted to necessary employees only.

**Management's Response:** *All journal entries are now reviewed by at least one manager, in addition to the person preparing the journal entry. There is no system control requiring secondary review prior to posting. However, that will be part of a new financial management system. At the end of each week, the Finance Director reviews and approves a listing of all journal entries processed during the week and follows up, if appropriate.*

*The new financial management system will allow electronic routing of journal entries for approval, with posting permitted only after final approval.*



# CITY OF URBANA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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**Finding No.** 2017-004 (reported in the prior year as finding 2016-005)

**Criteria:** 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.

**Condition:** 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. Also, the City did not have sufficient controls in place over information technology such as a formal change management policy, periodic reviews of access rights to financial accounting systems, periodic restorations of backups, and all financially impacted applications should have a login which is unique and not shared.

**Context:** The City's financial software is extremely modified for the City's specific purposes in a very complicated manner. Furthermore, the City does not have a formal change management policy, does not review access to the financial accounting system, does not restore backups, and does not have a formalized list of employees with physical access to the servers.

**Effect:** 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. Also, not having an effective information technology control system, the City opens itself up to the risk of unauthorized access or data loss.

**Recommendation:** 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. Also, the City should create an internal control structure that addresses the above control risks.

**Management's Response:** *IT staff has agreed to review and consider a policy on change management. However, benefits are reduced by the lack of documentation on the status quo. Ultimately, this concern will be addressed by using a standardized financial management system, in which changes are controlled by an outside vendor. Staff is in the process of implementing a new financial management system to replace the current custom-built system, and expects to go live with financials on that system on February 5, 2018, and payroll on April 1, 2018.*

*IT staff has implemented complex password rules for the financial management system and other applications on the Power7 computer.*

*Review of access rights to the financial management system is complicated by the complicated nature of controls over access and has not been completed, although some adjustments have been made. The new financial system will provide a complete audit trail of all changes, which will be reviewed on a regular basis.*

## CITY OF URBANA, ILLINOIS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 3017

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#### **SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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*A secondary machine has been readied as a backup for the Power7 computer. The backup process has been automated and the fail-over process has been tested. The secondary machine has been moved off site so that conditions, such as a sustained power outage or natural disaster, affecting the current machine will be unlikely to affect the secondary machine. The new financial system is hosted at an out of State location and will automatically fall over to a backup location in the event of an outage at the primary site.*

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#### **SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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**NONE**

# CITY OF URBANA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 3017

### SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

| <u>Finding Number</u> | <u>Condition</u>  | <u>Current Status</u>  |
|-----------------------|---|--|
| 2016-001              | The City has outsourced the preparation of the financial statements to the auditors due to lack of funds for training and the small size of the City's accounting department.   | The City continues to rely on Baker Tilly to prepare the Comprehensive Annual Financial Report.  |
| 2016-002              | 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. The City has implemented compensating review control to partially mitigate the risks from lack of segregation of duties.  | The City modified controls by having different employees printing & distributing checks.   |
| 2016-003              | Multiple employees at the City can prepare and post journal entries into the financial accounting system.   | The ability to prepare and post journal entries within the financial accounting system without the required review and approval still exists at the City. All journal entries are reviewed by the Finance Director at the end of each week, and she signs off on a list. |
| 2016-004              | There are four individuals in the Finance Department who have access to a user ID profile for the financial accounting system specifically created and used to generate checks. This profile has unrestricted access to the processing of payment requests and running checks.  | During the year, the City restricted the user ID profile to only be able to approve payment requests. The user ID profile can no longer create a purchase order or process checks.   |
| 2016-005              | 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. Also, the City did not have sufficient controls in place over information technology such as a formal change management policy, periodic reviews of access rights to financial accounting systems, robust password policies, periodic restorations of backups, and a formal listing of employees with physical access to servers. | The City made no changes during the fiscal year due to the fact that the City will be implementing new general ledger software during 2018.  |



**CITY OF URBANA, ILLINOIS  
FINANCE DEPARTMENT**

**CORRECTIVE ACTION PLANS  
For the Year Ended June 30, 2017**

**Finding No.:** 2017-001

**Condition:**

The City has outsourced the preparation of the financial statements to the auditors due to lack of funds for training and the small size of the City's accounting department.

**Plan:**

Current staffing levels are not adequate to prepare financial reports at the end of each year. Professional Finance staff will continue to engage in professional development activities related to financial reporting during the course of the year. 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.

**Name of Contact Person:** City of Urbana Finance Director



**CITY OF URBANA, ILLINOIS  
FINANCE DEPARTMENT**

**CORRECTIVE ACTION PLANS  
For the Year Ended June 30, 2017**

**Finding No.:** 2017-002

**Condition:**

The same individual is responsible for changing pay rates and benefits, updating time records for hourly employees, and processing payroll. The City has implemented compensating review controls to partially mitigate the risks from lack of segregation of duties.

**Plan:**

The Accounting Supervisor reviews payroll before checks are issued, paying specific attention to exceptions to budget, changes in pay rates, and revisions to department time entry. The Account Clerk assigned to prepare payroll does not have the ability to process the payroll and run checks. Access to those processes has been restricted to management staff, and this task is normally performed by the Accounting Supervisor.

Additional controls related to changes in pay rates and benefits will be part of a new financial management system. Changes in pay rates and benefits are currently performed by the account clerk responsible for payroll. However, the new financial management system will include a human resources component, which will allow Human Resources staff to initiate those changes and electronically route them for approval. Upon final approval, they will become active, requiring no entry by the account clerk.

City staff prepares a quarterly financial report comparing budget to actual within 30 days of the end of each quarter. As part of preparation of the report, budget to actual information is reviewed for reasonableness and interfund transfers are updated. In addition, the report is distributed to the City Council for their review. Internal reports comparing budget to actual are produced on a weekly basis.

**Name of Contact Person:** City of Urbana Finance Director



CITY OF URBANA, ILLINOIS  
FINANCE DEPARTMENT

CORRECTIVE ACTION PLANS  
For the Year Ended June 30, 2017

**Finding No.:** 2017-003

**Condition:**

While journal entries are reviewed and approved by someone other than the original preparer, multiple employees at the City can prepare and post journal entries into the financial accounting system without the required review and approval.

**Plan:**

All journal entries are now reviewed by at least one manager, in addition to the person preparing the journal entry. There is no system control requiring secondary review prior to posting. However, that will be part of a new financial management system. At the end of each week, the Finance Director reviews and approves a listing of all journal entries processed during the week and follows up, if appropriate.

The new financial management system will allow electronic routing of journal entries for approval, with posting permitted only after final approval.

**Name of Contact Person:** City of Urbana Finance Director



**CITY OF URBANA, ILLINOIS  
FINANCE DEPARTMENT**

**CORRECTIVE ACTION PLANS  
For the Year Ended June 30, 2017**

**Finding No.:** 2017-004

**Condition:**

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. Also, the City did not have sufficient controls in place over information technology such as a formal change management policy, periodic reviews of access rights to financial accounting systems, periodic restorations of backups, and all financially impacted applications should have a login which is unique and not shared.

**Plan:**

IT staff has agreed to review and consider a policy on change management. However, benefits are reduced by the lack of documentation on the status quo. Ultimately, this concern will be addressed by using a standardized financial management system, in which changes are controlled by an outside vendor. Staff is in the process of implementing a new financial management system to replace the current custom-built system, and expects to go live with financials on that system on February 5, 2018, and payroll on April 1, 2018.

IT staff has implemented complex password rules for the financial management system and other applications on the Power7 computer.

Review of access rights to the financial management system is complicated by the complicated nature of controls over access and has not been completed, although some adjustments have been made. The new financial system will provide a complete audit trail of all changes, which will be reviewed on a regular basis.

A secondary machine has been readied as a backup for the Power7 computer. The backup process has been automated and the fail-over process has been tested. The secondary machine has been moved off site so that conditions, such as a sustained power outage or natural disaster, affecting the current machine will be unlikely to affect the secondary machine. The new financial system is hosted at an out of State location and will automatically fall over to a backup location in the event of an outage at the primary site.

**Name of Contact Person:** City of Urbana Finance Director

**CITY OF URBANA  
FIREFIGHTERS' PENSION FUND**

FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2017  
and  
Independent Auditors' Report



**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
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As of June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Urbana Firefighters' Pension Fund  
Urbana, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Urbana Firefighters' Pension Fund, a pension trust fund of the City of Urbana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Urbana Firefighters' Pension Fund'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 relevant to the City of Urbana Firefighters' Pension Fund'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 Firefighters' Pension Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Mayor and Members of the City Council  
City of Urbana Firefighters' Pension Fund

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Urbana Firefighters' Pension Fund as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Baker Tilly Veitchau Krause, LLP*

Oak Brook, Illinois  
December 20, 2017

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
STATEMENT OF FIDUCIARY NET POSITION  
As of June 30, 2017

---

**Assets**

Cash and cash equivalents \$ 825,434

Investments:

Certificates of deposit 2,344,788

Money market mutual funds 103,378

U.S. government and agency securities 10,723,019

Mutual funds 30,014,870

Corporate bonds 1,744,810

Municipal bonds 318,204

Receivables:

Accrued interest 32,898

Total Assets 46,107,401

**Liabilities**

Accounts payable 1,680

Total Liabilities 1,680

**Net Position**

Net position restricted for pensions \$ 46,105,721

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ended June 30, 2017

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|   |                      |
|---|----------------------|
| <b>Additions</b>                                    |                      |
| Employer contributions                              | \$ 972,622           |
| Employee contributions                              | <u>402,966</u>       |
| Total contributions                                 | <u>1,375,588</u>     |
| Investment income                                   | 1,339,486            |
| Net appreciation in fair value of investments       | 4,005,948            |
| Less: investment expenses                           | <u>(18,365)</u>      |
| Net investment income                               | <u>5,327,069</u>     |
| Total Additions                                     | <u>6,702,657</u>     |
| <b>Deductions</b>                                   |                      |
| Benefits, including refunds of member contributions | 2,265,954            |
| Administration                                      | <u>36,152</u>        |
| Total Deductions                                    | <u>2,302,106</u>     |
| <b>Net Increase in Fiduciary Net Position</b>       | 4,400,551            |
| <b>Net Position Restricted for Pensions</b>         |                      |
| Beginning of year                                   | <u>41,705,170</u>    |
| End of year   | <u>\$ 46,105,721</u> |

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Firefighters' Pension Fund (Pension Fund) is a pension trust fund of the City of Urbana, Illinois. The Pension Fund is used to account for the Firefighters' Pension Plan ("the Plan"), a single-employer, defined benefit plan for sworn firefighter personnel of the City of Urbana ("the City").

The accounting policies of the Pension Fund 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**

The accompanying financial statements are limited to presenting only the individual Pension Fund and do not include any other funds of the City.

**B. Fund Accounting**

The Pension Fund uses funds to report on its fiduciary net position and the changes in its fiduciary net position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Pension Fund is classified in this report in the fiduciary category.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Pension Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred outflows of resources associated with the operation of these funds are included on the balance sheet.

The Pension Fund is accounted for using the accrual basis of accounting. Consequently, its additions are recognized when they are earned and its deductions are recognized when they are incurred.

**D. Investments**

Investment purchases are recorded as of the trade date. Investments are stated at fair value for both reporting and actuarial purposes.

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
 NOTES TO FINANCIAL STATEMENTS  
 As of and for the Year Ended June 30, 2017

---

**2. PLAN DESCRIPTION**

**A. Plan Administration**

Firefighter 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 minimum employer contributions are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Firefighters' Pension Plan as a pension trust fund.

The Plan 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.

**B. Plan Membership**

At July 1, 2016, the measurement date, membership of the plan was as follows:

|  |            |
|--|------------|
| Inactive plan members currently receiving benefits .....               | 51         |
| Inactive plan members entitled to but not yet receiving benefits ..... | 5          |
| Active plan members.....   | <u>55</u>  |
| Total.....   | <u>111</u> |

**C. Benefits Provided**

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**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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**D. Contributions**

Participants are required by Illinois Compiled Statutes (ILCS) to contribute 9.455% of their base salary to the Plan. 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 Plan 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 Plan is 90% funded by the year 2040. For the year ended June 30, 2017, the City's contribution was 22.95% of covered payroll.

**3. DEPOSITS AND INVESTMENTS**

**A. Investment Policy**

Illinois Statutes authorize the Pension Fund 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, the Illinois Funds Investment Pool, and IMET. 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 adviser may invest an additional portion of its assets in common and preferred stocks and mutual funds, that meet certain requirements. The Pension Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code.

The Pension Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code. The firefighters' pension fund's informal investment policy, in accordance with Illinois Statutes, establishes the following target allocation across asset classes:

| Asset Class              | Target | Long-Term<br>Expected Real<br>Rate of Return |
|--------------------------|--------|--|
| U.S. Government/Agencies | 15%    | 0.8%   |
| Certificates of Deposit  | 10%    | 0.1%   |
| Municipal Bonds          | 5%     | 0%   |
| Corporate Bonds          | 5%     | 0.2%   |
| Equities                 | 65%    | 3.5%   |

State statutes limit the Pension Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Pension Fund's investments was determined using an asset allocation study conducted by the Pension Fund's investment management consultant as of June 30, 2017, in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2017 are listed in the table above.



**CITY OF URBANA**  
**FIREFIIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**B. Custodial Credit Risk - Deposits**

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, the Fund's bank deposits were covered by FDIC insurance.

**C. Custodial Credit Risk - Investments**

With respect to investments, custodial credit risk refers to the risk that, in the event of the failure of the counterparty to the investment, the Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. As of June 30, 2017, no investments were exposed to custodial credit risk.

**D. 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, 2017, the Pension Fund's investments were as follows:

| Investment Type           | Fair Value           | Maturity (in Years) |                     |                     |                     |
|---------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
|                           |                      | Less than<br>1      | 1-5                 | 6 – 10              | More than<br>10     |
| U.S. Treasury obligations | \$ 4,146,716         | \$ 368,446          | \$ 2,622,032        | \$ 1,156,238        | \$ -                |
| U.S. Agency obligations   | 6,576,303            | 700,819             | 3,055,560           | 1,758,586           | 1,061,338           |
| Municipal bonds           | 318,204              | -                   | -                   | 318,204             | -                   |
| Corporate bonds           | 1,744,810            | 180,992             | 775,428             | 788,390             | -                   |
| Money market mutual funds | 103,378              | 103,378             | -                   | -                   | -                   |
| Totals                    | \$ <u>12,889,411</u> | \$ <u>1,353,635</u> | \$ <u>6,453,020</u> | \$ <u>4,021,418</u> | \$ <u>1,061,338</u> |

**E. 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. The Pension Fund's investment policy requires 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.

At June 30, 2017, there was no concentration of credit risk in the investment portfolio.

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**F. Credit Risk**

State Statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's). The Pension Fund's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds. As of June 30, 2017, the Pension Fund's investments were rated as follows:

| Investment Type                                 | Moody's<br>Investors<br>Services |
|---|----------------------------------|
| U.S. agency obligations (implicitly guaranteed) | Aaa                              |
| Municipal bonds                                 | A2                               |
| Corporate bonds                                 | Baa2 - A1                        |
| Money market mutual funds                       | Aaa-mf                           |

**G. Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was 13.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**H. Fair Value Hierarchy**

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Fund's investments are measured using the market valuation method and valuation inputs as follows:

| Investment Type                           | Level 1       | Level 2       | Level 3 | Total         |
|---|---------------|---------------|---------|---------------|
| U.S. Treasury obligations                 | \$ -          | \$ 4,146,716  | \$ -    | \$ 4,146,716  |
| U.S. Agency obligations                   | -             | 6,576,303     | -       | 6,576,303     |
| Corporate bonds                           | -             | 1,744,810     | -       | 1,744,810     |
| Municipal bonds                           | -             | 318,204       | -       | 318,204       |
| Mutual funds – other than bonds           | 30,014,870    | -             | -       | 30,014,870    |
| Money market mutual funds –<br>bond funds | -             | 103,378       | -       | 103,378       |
| Totals                                    | \$ 30,014,870 | \$ 12,889,411 | \$ -    | \$ 42,904,281 |

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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**4. PENSION LIABILITY OF THE CITY**

**A. Net Pension Liability**

The components of the net pension liability of the City as of June 30, 2017 were as follows:

|   |               |
|---|---------------|
| Total pension liability   | \$ 55,207,805 |
| Plan fiduciary net position   | 46,105,721    |
| City's net pension liability  | 9,102,084     |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 84%           |

The schedule of changes in the City's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

**B. Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of June 30, 2017 using the following actuarial methods and assumptions:

|                            |                  |
|----------------------------|------------------|
| Actuarial valuation date   | June 30, 2017    |
| Actuarial cost method      | Entry-age normal |
| Actuarial assumptions:     |                  |
| Projected salary increases | 4.25 – 7.19%     |
| Inflation                  | 2.50%            |
| Interest rate              | 7.00%            |
| Cost-of-living adjustments | 2.5%             |
| Asset valuation method     | Market value     |

Mortality rates were based on the Lauterbach & Amen 2016 Illinois Firefighters Mortality Table.

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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**C. Discount Rate**

The discount rate used to measure the total pension liability for the Plan was 7.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**D. Discount Rate Sensitivity**

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the firefighters calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

|                       | 1% Decrease<br>(6.00%) | Current<br>Discount Rate | 1% Increase<br>(8.00%) |
|-----------------------|------------------------|--------------------------|------------------------|
| Net pension liability | \$17,054,960           | \$9,102,084              | \$2,622,743            |

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
Last Four Fiscal Years

|   | 2014                 | 2015                 | 2016                 | 2017                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>  |                      |                      |                      |                      |
| Service cost  | \$ 1,214,058         | \$ 1,196,507         | \$ 1,168,377         | \$ 1,041,804         |
| Interest  | 2,893,786            | 3,002,629            | 3,275,512            | 3,451,343            |
| Differences between expected and actual experience                                  | (521,056)            | (17,671)             | (686,638)            | 1,990,332            |
| Changes of assumptions  | -                    | 685,724              | 2,156,908            | 552,401              |
| Benefit payments, including refunds of member contributions                         | (1,991,181)          | (2,072,600)          | (2,201,873)          | (2,265,954)          |
| <b>Net change in total pension liability</b>  | <u>1,595,607</u>     | <u>2,794,589</u>     | <u>3,712,286</u>     | <u>4,769,926</u>     |
| <b>Total pension liability - beginning</b>  | <u>42,335,397</u>    | <u>43,931,004</u>    | <u>46,725,593</u>    | <u>50,437,879</u>    |
| <b>Total pension liability - ending (a)</b>   | <u>\$ 43,931,004</u> | <u>\$ 46,725,593</u> | <u>\$ 50,437,879</u> | <u>\$ 55,207,805</u> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |
| Employer contributions  | \$ 1,517,629         | \$ 1,236,008         | \$ 1,038,747         | \$ 972,622           |
| Employee contributions  | 350,475              | 374,389              | 402,718              | 402,966              |
| Net investment income   | 5,208,327            | 1,954,325            | 313,386              | 5,327,069            |
| Benefit payments, including refunds of member contributions                         | (1,991,181)          | (2,072,600)          | (2,201,873)          | (2,265,954)          |
| Administration  | (37,219)             | (36,908)             | (43,824)             | (36,152)             |
| <b>Net change in plan fiduciary net position</b>                                    | <u>5,048,031</u>     | <u>1,455,214</u>     | <u>(490,846)</u>     | <u>4,400,551</u>     |
| <b>Plan fiduciary net position - beginning</b>                                      | <u>35,692,771</u>    | <u>40,740,802</u>    | <u>42,196,016</u>    | <u>41,705,170</u>    |
| <b>Plan fiduciary net position - ending (b)</b>                                     | <u>\$ 40,740,802</u> | <u>\$ 42,196,016</u> | <u>\$ 41,705,170</u> | <u>\$ 46,105,721</u> |
| <b>Employer's net pension liability - ending (a) - (b)</b>                          | <u>\$ 3,190,202</u>  | <u>\$ 4,529,577</u>  | <u>\$ 8,732,709</u>  | <u>\$ 9,102,084</u>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b>   | 92.74%               | 90.31%               | 82.69%               | 83.51%               |
| <b>Covered-employee payroll</b>   | \$ 3,777,788         | \$ 3,942,216         | \$ 4,063,754         | \$ 4,237,345         |
| <b>Employer's net pension liability as a percentage of covered-employee payroll</b> | 84.45%               | 114.90%              | 214.89%              | 214.81%              |

**Notes to Schedule:**

The Plan implemented GASB Statement No .67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
Last Ten Fiscal Years

|  | 2008         | 2009         | 2010         | 2011         |
|--|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ 777,163   | \$ 1,025,535 | \$ 1,133,720 | \$ 1,220,290 |
| Contributions in relation to the actuarially determined contribution | 961,372      | 1,251,695    | 1,372,080    | 1,463,810    |
| Contribution deficiency (excess)                                     | \$ (184,209) | \$ (226,160) | \$ (238,360) | \$ (243,520) |
| Covered-employee payroll   | \$ 3,012,087 | \$ 3,249,911 | \$ 3,319,469 | \$ 3,414,250 |
| Contributions as a percentage of covered-employee payroll            | 31.92%       | 38.51%       | 41.33%       | 42.87%       |

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level percentage of payroll, closed                          |
| Remaining amortization period | 16 years   |
| Asset valuation method        | Market   |
| Inflation                     | 2.50%  |
| Salary increases              | 4.25% - 7.19%  |
| Investment rate of return     | 7.00%, including inflation, net of investment expenses       |
| Mortality                     | Lauterbach & Amen 2016 Illinois Firefighters Mortality Rates |

| 2012         | 2013         | 2014         | 2015         | 2016         | 2017         |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 1,182,977 | \$ 1,245,665 | \$ 1,179,662 | \$ 1,179,662 | \$ 1,117,736 | \$ 1,082,119 |
| 1,403,306    | 1,482,369    | 1,517,629    | 1,236,008    | 1,038,747    | 972,622      |
| \$ (220,329) | \$ (236,704) | \$ (337,967) | \$ (56,346)  | \$ 78,989    | \$ 109,497   |
| \$ 2,645,435 | \$ 3,872,621 | \$ 3,777,788 | \$ 3,942,216 | \$ 4,063,754 | \$ 4,237,345 |
| 53.05%       | 38.28%       | 40.17%       | 31.35%       | 25.56%       | 22.95%       |

**CITY OF URBANA**  
**FIREFIGHTERS' PENSION FUND**  
SCHEDULE OF INVESTMENT RETURNS  
Last Four Fiscal Years

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|  | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|--|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return,<br>net of investment expense | 14.31%      | 4.83%       | 0.70%       | 13.54%      |

Notes to Schedule:

The Plan implemented GASB Statement No. 67 in fiscal year 2014.

Information prior to fiscal year 2014 is not available.



**CITY OF URBANA  
POLICE PENSION FUND**

FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2017  
and  
Independent Auditors' Report

**CITY OF URBANA**  
**POLICE PENSION FUND**  
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As of June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Urbana Police Pension Fund, a pension trust fund of the City of Urbana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Urbana Police Pension Fund'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 relevant to the City of Urbana Police Pension Fund'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 Police Pension Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Mayor and Members of the City Council  
City of Urbana Police Pension Fund

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Urbana Police Pension Fund as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Baker Tilly Virchow Krause, LLP*

Oak Brook, Illinois  
December 20, 2017

**CITY OF URBANA**  
**POLICE PENSION FUND**  
STATEMENT OF FIDUCIARY NET POSITION  
As of June 30, 2017

---

**Assets**

Cash and cash equivalents \$ 1,495,756

Investments:

U.S. government and agency securities 7,535,675

Mutual funds 18,934,984

Stocks 5,835,523

Corporate bonds 3,481,205

Municipal bonds 247,470

Receivables:

Accrued interest 75,729

Total Assets 37,606,342

**Liabilities**

Accounts payable 10,984

Total Liabilities 10,984

**Net Position**

Net position restricted for pensions \$ 37,595,358

**CITY OF URBANA**  
**POLICE PENSION FUND**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ended June 30, 2017

|   |                      |
|---|----------------------|
| <b>Additions</b>                              |                      |
| Employer contributions                        | \$ 1,230,207         |
| Employee contributions                        | <u>442,500</u>       |
| Total contributions                           | <u>1,672,707</u>     |
| Investment income                             | 751,332              |
| Net appreciation in fair value of investments | 2,801,157            |
| Less: investment expenses                     | <u>(196,082)</u>     |
| Net investment income                         | <u>3,356,407</u>     |
| Total Additions                               | <u>5,029,114</u>     |
| <b>Deductions</b>                             |                      |
| Benefits                                      | 2,342,051            |
| Administration                                | <u>54,146</u>        |
| Total Deductions                              | <u>2,396,197</u>     |
| <b>Net Increase in Fiduciary Net Position</b> | 2,632,917            |
| <b>Net Position Restricted for Pensions</b>   |                      |
| Beginning of year                             | <u>34,962,441</u>    |
| End of year                                   | <u>\$ 37,595,358</u> |

**CITY OF URBANA**  
**POLICE PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Police Pension Fund (the Pension Fund) is a pension trust fund of the City of Urbana, Illinois. The Fund is used to account for the Police Pension Plan (“the Plan”), a single-employer, defined benefit plan for sworn police personnel of the City of Urbana (“the City”).

The accounting policies of the Pension Fund 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**

The accompanying financial statements are limited to presenting only the individual Pension Fund and do not include any other funds of the City.

**B. Fund Accounting**

The Pension Fund uses funds to report on its fiduciary net position and the changes in its fiduciary net position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Pension Fund is classified in this report in the fiduciary category.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Pension Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred outflows of resources associated with the operation of these funds are included on the balance sheet.

The Pension Fund is accounted for using the accrual basis of accounting. Consequently, its additions are recognized when they are earned and its deductions are recognized when they are incurred.

**D. Investments**

Investment purchases are recorded as of the trade date. Investments are stated at fair value for both reporting and actuarial purposes.

**CITY OF URBANA**  
**POLICE PENSION FUND**  
 NOTES TO FINANCIAL STATEMENTS  
 As of and for the Year Ended June 30, 2017

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**2. PLAN DESCRIPTION**

**A. Plan Administration**

Police sworn personnel are covered by the 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 minimum employer contributions are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Pension Plan as a pension trust fund.

The Plan 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.

**B. Plan Membership**

At July 1, 2016, membership of the plan was as follows:

|  |            |
|--|------------|
| Inactive plan members currently receiving benefits .....               | 52         |
| Inactive plan members entitled to but not yet receiving benefits ..... | 4          |
| Active plan members.....   | <u>57</u>  |
| Total.....   | <u>113</u> |

**C. Benefits Provided**

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 a monthly retirement benefit of one half of the monthly salary attached to the rank held 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 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.



**CITY OF URBANA**  
**POLICE PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**D. Contributions**

Participants are required by Illinois Compiled Statutes (ILCS) to contribute 9.91% of their base salary to the Plan. 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 Plan 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 Plan is 90% funded by the year 2040. For the year ended June 30, 2017, the City's contribution was 26.76% of covered payroll.

**3. DEPOSITS AND INVESTMENTS**

**A. Investment Policy**

Illinois Statutes authorize the Pension Fund 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, the Illinois Funds Investment Pool, and IMET. 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 adviser may invest an additional portion of its assets in common and preferred stocks and mutual funds, that meet certain requirements. The Pension Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code.

The Pension Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code. The Police' pension fund's informal investment policy, in accordance with Illinois Statutes, establishes the following target allocation across asset classes:

| Asset Class  | Target | Long-Term Expected<br>Real Rate of Return |
|--------------|--------|---|
| Equities     | 55%    | 3.3%                                      |
| Fixed Income | 43%    | 1.2%                                      |
| Cash         | 2%     | 0%  |

State statutes limit the Pension Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rates of return on the Pension Fund's investments were determined using an asset allocation study conducted by the Pension Fund's investment management consultant as of June 30, 2017, in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2017 are listed in the table above.

**B. Custodial Credit Risk - Deposits**

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, the Fund's bank deposits were covered by FDIC insurance.

**CITY OF URBANA**  
**POLICE PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**C. Custodial Credit Risk - Investments**

With respect to investments, custodial credit risk refers to the risk that, in the event of the failure of the counterparty to the investment, the Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. As of June 30, 2017, no investments were exposed to custodial credit risk.

**D. 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, 2017, the Pension Fund's investments were as follows:

| Investment Type           | Fair Value           | Maturity (in Years) |                     |                     |                     |
|---------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
|                           |                      | Less than 1         | 1-5                 | 6 – 10              | More than 10        |
| U.S. Treasury obligations | \$ 5,999,977         | \$ 970,328          | \$ 2,936,402        | \$ 1,499,210        | \$ 594,037          |
| U.S. Agency obligations   | 1,535,698            | 601,841             | 761,899             | 140,515             | 31,443              |
| Municipal bonds           | 247,470              | -                   | 99,718              | 31,695              | 116,057             |
| Corporate bonds           | 3,481,205            | 200,453             | 1,282,870           | 1,217,995           | 779,887             |
| Totals                    | \$ <u>11,264,350</u> | \$ <u>1,772,622</u> | \$ <u>5,080,889</u> | \$ <u>2,889,415</u> | \$ <u>1,521,424</u> |

**E. 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. The Pension Fund's investment policy requires 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.

At June 30, 2017, there was no concentration of credit risk in the investment portfolio.

**F. Credit Risk**

State Statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's). The Pension Fund's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds. As of June 30, 2017, the Pension Fund's investments were rated as follows:

| Investment Type                                 | Moody's<br>Investors<br>Services |
|---|----------------------------------|
| U.S. agency obligations (implicitly guaranteed) | Aaa                              |
| Municipal bonds                                 | Aa3 - Aaa                        |
| Corporate bonds                                 | Baa3 - Aaa                       |

**CITY OF URBANA**  
**POLICE PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

**G. Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was 7.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**H. Fair Value Hierarchy**

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Fund's investments are measured using the market valuation method and valuation inputs as follows:

| Investment Type                 | Level 1              | Level 2              | Level 3     | Total                |
|---------------------------------|----------------------|----------------------|-------------|----------------------|
| U.S. Treasury obligations       | \$ -                 | \$ 5,999,977         | \$ -        | \$ 5,999,977         |
| U.S. Agency obligations         | -                    | 1,535,698            | -           | 1,535,698            |
| Corporate stock                 | 5,835,523            | -                    | -           | 5,835,523            |
| Corporate bonds                 | -                    | 3,481,205            | -           | 3,481,205            |
| Municipal bonds                 | -                    | 247,470              | -           | 247,470              |
| Mutual funds – other than bonds | 18,934,984           | -                    | -           | 18,934,984           |
| Totals                          | <u>\$ 24,770,507</u> | <u>\$ 11,264,350</u> | <u>\$ -</u> | <u>\$ 36,034,857</u> |

**5. PENSION LIABILITY OF THE CITY**

**A. Net Pension Liability**

The components of the net pension liability of the City of Urbana as of June 30, 2017, were as follows:

|   |               |
|---|---------------|
| Total pension liability   | \$ 57,327,818 |
| Plan fiduciary net position   | 37,595,358    |
| City's net pension liability  | 19,732,460    |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 66%           |

The schedule of changes in the City's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

**CITY OF URBANA**  
**POLICE PENSION FUND**  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

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**B. Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of June 30, 2017 using the following actuarial methods and assumptions:

|                            |                  |
|----------------------------|------------------|
| Actuarial valuation date   | June 30, 2017    |
| Actuarial cost method      | Entry-age normal |
| Actuarial assumptions:     |                  |
| Projected salary increases | 2.50 – 4.25%     |
| Inflation                  | 2.50%            |
| Interest rate              | 7.00%            |
| Cost-of-living adjustments | 2.50%            |
| Asset valuation method     | Market value     |

Mortality rates were based on the Lauterbach & Amen 2016 Illinois Police Mortality.

**C. Discount Rate**

The discount rate used to measure the total pension liability for the Plan was 7.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**D. Discount Rate Sensitivity**

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

|                       | 1% Decrease<br>(6.00%) | Current<br>Discount Rate | 1% Increase<br>(8.00%) |
|-----------------------|------------------------|--------------------------|------------------------|
| Net pension liability | \$28,270,803           | \$19,732,460             | \$12,836,227           |

**CITY OF URBANA**  
**POLICE PENSION FUND**  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
Last Four Fiscal Years

|   | 2014                 | 2015                 | 2016                 | 2017                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>  |                      |                      |                      |                      |
| Service cost  | \$ 1,202,918         | \$ 1,194,543         | \$ 1,085,728         | \$ 1,053,158         |
| Interest  | 3,084,785            | 3,228,731            | 3,541,423            | 3,485,734            |
| Differences between expected and actual experience                                | (136,267)            | (610,133)            | (4,005,503)          | 4,777,112            |
| Changes of assumptions  | -                    | 1,761,301            | 1,937,667            | (613,367)            |
| Benefit payments, including refunds of member contributions                       | (1,971,517)          | (2,209,086)          | (2,196,232)          | (2,342,051)          |
| <b>Net change in total pension liability</b>                                      | <b>2,179,919</b>     | <b>3,365,356</b>     | <b>363,083</b>       | <b>6,360,586</b>     |
| <b>Total pension liability - beginning</b>  | <b>45,058,874</b>    | <b>47,238,793</b>    | <b>50,604,149</b>    | <b>50,967,232</b>    |
| <b>Total pension liability - ending (a)</b>                                       | <b>\$ 47,238,793</b> | <b>\$ 50,604,149</b> | <b>\$ 50,967,232</b> | <b>\$ 57,327,818</b> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |
| Employer contributions  | \$ 2,254,203         | \$ 1,850,383         | \$ 1,396,843         | \$ 1,230,207         |
| Employee contributions  | 393,954              | 416,575              | 444,105              | 442,500              |
| Net investment income   | 3,673,877            | 632,290              | 861,378              | 3,356,407            |
| Benefit payments, including refunds of member contributions                       | (1,971,517)          | (2,209,086)          | (2,196,232)          | (2,342,051)          |
| Administration  | (33,074)             | (33,421)             | (60,788)             | (54,146)             |
| <b>Net change in plan fiduciary net position</b>                                  | <b>4,317,443</b>     | <b>656,741</b>       | <b>445,306</b>       | <b>2,632,917</b>     |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>29,542,951</b>    | <b>33,860,394</b>    | <b>34,517,135</b>    | <b>34,962,441</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <b>\$ 33,860,394</b> | <b>\$ 34,517,135</b> | <b>\$ 34,962,441</b> | <b>\$ 37,595,358</b> |
| <b>City's net pension liability - ending (a) - (b)</b>                            | <b>\$ 13,378,399</b> | <b>\$ 16,087,014</b> | <b>\$ 16,004,791</b> | <b>\$ 19,732,460</b> |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>71.68%</b>        | <b>68.21%</b>        | <b>68.60%</b>        | <b>65.58%</b>        |
| <b>Covered-employee payroll</b>   | <b>\$ 4,124,684</b>  | <b>\$ 4,111,495</b>  | <b>\$ 4,481,382</b>  | <b>\$ 4,597,710</b>  |
| <b>City's net pension liability as a percentage of covered-employee payroll</b>   | <b>324.35%</b>       | <b>391.27%</b>       | <b>357.14%</b>       | <b>429.18%</b>       |

**Notes to Schedule:**

The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

**CITY OF URBANA**  
**POLICE PENSION FUND**  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Last Ten Fiscal Years

|  | 2008         | 2009         | 2010         | 2011         |
|--|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ 1,243,507 | \$ 1,225,637 | \$ 1,381,577 | \$ 1,500,579 |
| Contributions in relation to the actuarially determined contribution | 1,680,480    | 1,604,475    | 1,783,576    | 1,981,806    |
| Contribution deficiency (excess)                                     | \$ (436,973) | \$ (378,838) | \$ (401,999) | \$ (481,227) |
| Covered-employee payroll   | \$ 3,392,030 | \$ 3,516,159 | \$ 3,485,147 | \$ 3,547,806 |
| Contributions as a percentage of covered-employee payroll            | 49.54%       | 45.63%       | 51.18%       | 55.86%       |

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal                                       |
| Amortization method           | Level percentage of pay, closed                        |
| Remaining amortization period | 16 years   |
| Asset valuation method        | Market   |
| Inflation                     | 2.50%  |
| Salary increases              | 2.5% - 4.25%   |
| Investment rate of return     | 7.00%, including inflation, net of investment expenses |
| Mortality                     | Lauterbach & Amen 2016 Illinois Police Mortality Rates |

| 2012         | 2013         | 2014         | 2015         | 2016         | 2017         |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 1,524,579 | \$ 1,648,164 | \$ 1,642,577 | \$ 1,642,577 | \$ 1,619,190 | \$ 1,721,661 |
| 1,980,275    | 2,138,159    | 2,254,203    | 1,850,383    | 1,396,843    | 1,230,207    |
| \$ (455,696) | \$ (489,995) | \$ (611,626) | \$ (207,806) | \$ 222,347   | \$ 491,454   |
| \$ 3,859,220 | \$ 3,972,920 | \$ 4,124,681 | \$ 4,111,495 | \$ 4,481,382 | \$ 4,597,710 |
| 51.31%       | 53.82%       | 54.65%       | 45.01%       | 31.17%       | 26.76%       |

**CITY OF URBANA**  
**POLICE PENSION FUND**  
SCHEDULE OF INVESTMENT RETURNS  
Last Four Fiscal Years

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|  | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return,<br>net of investment expense | 11.89%      | 1.87%       | 2.60%       | 7.73%       |

**Notes to Schedule:**

The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal years 2014 is not available.