



Mary Taylor, CPA  
Auditor of State



**CITY OF RAVENNA  
PORTAGE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Ravenna  
Portage County  
210 Park Way  
Ravenna, Ohio 44266

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Revolving Loan, Street Construction, Maintenance and Repair funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 3, 2008

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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The discussion and analysis of the City of Ravenna's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- Total assets for the City of Ravenna exceeded liabilities by \$75,781,864 as of December 31, 2006.
- Total net assets increased by \$447,071. Governmental activities increased \$96,503 while business-type activities increased \$97,856.
- Total capital assets decreased \$1,945,524, or 2.4 percent from 2005. Governmental capital assets decreased \$1,123,008 and business-type capital assets decreased \$822,516.
- Total liabilities of the City decreased \$1,366,176 during 2006. Governmental activities liabilities increased \$259,670 and business-type activities liabilities decreased \$1,625,846. The decrease in the business-type liabilities is due primarily to the reduction of long term debt.

***Using this Annual Financial Report***

This discussion and analysis is intended to serve as an introduction to the City of Ravenna's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

***The City of Ravenna as a Whole***

***Statement of Net Assets and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Ravenna's finances, in a manner similar to private sector businesses. The *statement of net assets* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial

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statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other major funds presented in total in one column.

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

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

Both of the government-wide financial statements distinguish functions of the City of Ravenna that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Ravenna include general government, security of persons and property (Police and Fire), public health and welfare services, leisure time activities, community environment, transportation, basic utility services, and economic development. The business-type activities include water and sewer.

### ***Reporting the City's Most Significant Funds***

**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 of Ravenna, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Ravenna can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on balances of expendable resources available at the end of the year.

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 of Ravenna maintains thirty-seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Revolving Loan and Street Construction, Maintenance and Repair Special Revenue funds, all of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.



**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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The City of Ravenna adopts an annual appropriated budget for each of its funds to comply with budgetary requirements.

**Proprietary Funds** The City of Ravenna's proprietary funds consist of water and sewer. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self-insurance program of health related employee benefits. Because this predominately benefits governmental rather than business functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations as they are considered major funds. The internal service fund is for self-insurance for health benefits.

**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 statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are agency funds.

**Notes to the Basic Financial Statements** The notes provide additional information that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

***The City as a Whole***

As noted earlier, the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2006 compared to 2005.

**Table 1**  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and Other Assets	\$17,618,898	\$15,887,005	\$9,611,148	\$10,316,622	\$27,230,046	\$26,203,627
Capital Assets, Net	44,141,915	45,264,923	36,768,881	37,591,397	80,910,796	82,856,320
<b>Total Assets</b>	<b>61,760,813</b>	<b>61,151,928</b>	<b>46,380,029</b>	<b>47,908,019</b>	<b>108,140,842</b>	<b>109,059,947</b>
<b>Liabilities</b>						
Current Liabilities	1,672,696	1,327,127	6,148,471	6,697,094	7,821,167	8,024,221
Long-Term Liabilities						
Due Within One Year	669,094	589,846	1,373,855	1,291,987	2,042,949	1,881,833
Due in More Than One Year	7,251,189	7,416,336	15,243,673	16,402,764	22,494,862	23,819,100
<b>Total Liabilities</b>	<b>\$9,592,979</b>	<b>\$9,333,309</b>	<b>\$22,765,999</b>	<b>\$24,391,845</b>	<b>\$32,358,978</b>	<b>\$33,725,154</b>

(continued)

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

**Table 1 (continued)**  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$42,181,210	\$43,422,240	\$20,675,068	\$20,881,589	\$62,856,278	\$64,303,829
Restricted for:						
Capital Projects	1,814,939	1,905,379	0	0	1,814,939	1,905,379
Debt Service	287,473	328,159	0	0	287,473	328,159
Other Purposes	9,106,189	8,145,605	0	0	9,106,189	8,145,605
Replacement and Improvement	0	0	275,000	275,000	275,000	275,000
Operation and Maintenance	0	0	610,639	526,857	610,639	526,857
Unrestricted (Deficit)	(1,221,977)	(1,982,764)	2,053,323	1,832,728	831,346	(150,036)
<i>Total Net Assets</i>	<u>\$52,167,834</u>	<u>\$51,818,619</u>	<u>\$23,614,030</u>	<u>\$23,516,174</u>	<u>\$75,781,864</u>	<u>\$75,334,793</u>

For the City of Ravenna, total assets exceeded total liabilities by \$75,781,864 at the close of 2006. Of the total net assets, capital assets, net of related debt make up \$62,856,278 or 82.94 percent.

Unrestricted net assets for the City's governmental activities ended the year with a deficit balance of \$1,221,977 which was a decrease from last year's deficit of \$760,787. The main reason for the deficit is that the City issued general obligation bonds for the Reed Memorial Library in 2003 and at the end of 2006 still owed \$5,090,000 on the bonds. The bonds will be paid with property tax money from the Reed Memorial Library and will mature in 2033. Although the City of Ravenna holds title to the land and building of the Library, these assets are not included in the capital assets listing of the City because it does not utilize, maintain or improve the Library for City operations.

Total assets of the City decreased \$919,105 from 2005. The most significant decrease was seen in Non-Depreciable Capital Assets, while the \$1,366,176 decrease in 2006 total liabilities is attributable to the reduction of long-term debt.

During the year, governmental net assets increased \$349,215 while business-type net assets increased \$97,856. The City of Ravenna was able to report positive balances for combined total net assets as well as for the separate governmental and business-type activities.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the year.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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**Table 2**  
*Change in Net Assets*

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
<b>Revenues</b>				
Program Revenues				
Charges for Services and Sales	\$1,571,524	\$1,605,909	\$5,140,374	\$4,847,139
Operating Grants and Contributions	1,576,764	1,893,642	0	0
Capital Grants and Contributions	86,182	1,667	288,201	337,108
<b>Total Program Revenues</b>	<b>3,234,470</b>	<b>3,501,218</b>	<b>5,428,575</b>	<b>5,184,247</b>
General Revenues				
Property Taxes	711,675	683,849	0	0
Income Taxes	6,088,163	5,613,043	1,331,659	1,249,265
Grants and Entitlements	1,364,977	1,870,202	0	0
Investment Earnings	490,983	285,137	0	0
Miscellaneous	117,460	66,618	120,776	18,428
<b>Total General Revenues</b>	<b>8,773,258</b>	<b>8,518,849</b>	<b>1,452,435</b>	<b>1,267,693</b>
<i>Total Revenues</i>	<i>12,007,728</i>	<i>12,020,067</i>	<i>6,881,010</i>	<i>6,451,940</i>
<b>Program Expenses</b>				
General Government	1,306,952	1,429,115	0	0
Security of Persons and Property:				
Police	3,166,487	2,856,497	0	0
Fire	2,049,694	1,882,460	0	0
Leisure Time Activities	983,086	866,808	0	0
Public Health and Welfare	418,362	282,019	0	0
Community Environment	740,716	1,337,077	0	0
Transportation	2,326,417	1,857,342	0	0
Basic Utility Services	256,393	154,429	0	0
Economic Development	59,307	22,281	0	0
Interest and Fiscal Charges	351,099	366,940	0	0
Water	0	0	3,303,115	3,366,182
Sewer	0	0	3,480,039	2,327,845
<b>Total Program Expenses</b>	<b>11,658,513</b>	<b>11,054,968</b>	<b>6,783,154</b>	<b>5,694,027</b>
Change in Net Assets	349,215	965,099	97,856	757,913
Net Assets Beginning of Year	51,818,619	50,853,520	23,516,174	22,758,261
Net Assets End of Year	<u>\$52,167,834</u>	<u>\$51,818,619</u>	<u>\$23,614,030</u>	<u>\$23,516,174</u>

***Governmental Activities***

Several sources fund our governmental activities with the City income tax being the largest component, contributing \$6,088,163, or 50.7 percent of the \$12,007,728 total governmental revenue. The City's income tax rate is 2.0 percent of gross income. Program revenues are the next most important source of revenue generating \$3,234,470 or 26.9 percent. All other revenues including property taxes, grants and entitlements, interest and other revenue accounted for \$2,685,095 or 22.4 percent of total governmental revenue.

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Major expense activities are the operating costs associated with security of persons and property. Police, EMS, and Fire account for \$5,216,181 or 44.7 percent of the total governmental expenses. 2006 total expenditures for safety forces finished \$477,224 over 2005 as employment in the Police and Fire Departments was rebuilt to the staffing levels that existed prior to the 2004 layoffs. As in the past, the Police Department continued its active participation in various community service programs that include the Safe Communities Program and DUI Task Force.

Transportation continues to be the second largest cost component, as again, the Street Department and related functions comprised 20.0 percent of total governmental expenses.

***Business-Type Activities***

Business-type activities include the City's water and wastewater operations. Net assets for 2006 increased \$97,856. Total capital assets decreased \$822,516 as a result of the revaluation and reclassification of the City's Wastewater Treatment Plant that was carried as construction in process for the prior two years. As illustrated in the Statement of Net Assets, as the final appraised cost of the new facility was moved from Nondepreciable to Depreciable Capital Assets in 2006, total liabilities decreased due to a reduction in long-term debt as the City and Portage County continue to share the cost of the debt service on the Wastewater Treatment Plant Upgrade project with each entity paying for 50 percent of the cost.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows the total cost of services and the net cost of services. The table identifies the cost of services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3**  
*Total and Net Cost of Program Services*

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>Program Expenses</b>				
General Government	\$1,306,952	(\$1,197,986)	\$1,429,115	(\$1,282,859)
Security of Persons and Property:				
Police	3,166,487	(2,844,545)	2,856,497	(2,451,990)
Fire	2,049,694	(1,529,198)	1,882,460	(1,368,296)
Leisure Time Activities	983,086	(425,659)	866,808	(406,908)
Public Health and Welfare	418,362	(385,725)	282,019	(255,248)
Community Environment	740,716	78,913	1,337,077	(497,336)
Transportation	2,326,417	(1,729,151)	1,857,342	(1,857,249)
Basic Utility Services	256,393	(242,745)	154,429	(142,289)
Economic Development	59,307	203,152	22,281	1,075,365
Interest and Fiscal Charges	351,099	(351,099)	366,940	(366,940)
Water	3,303,115	(967,418)	3,366,182	(1,214,574)
Sewer	3,480,039	(387,161)	2,327,845	704,794
<i>Total</i>	<u>\$18,441,667</u>	<u>(\$9,778,622)</u>	<u>\$16,748,995</u>	<u>(\$8,063,530)</u>

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The negative amounts indicated in Table 3 should not be construed as something bad; they are merely indicative of whether a particular function of government relies on general revenues for financing or is a net contributor of resources to the general government. The total cost of services and the net cost of services both increased in 2006.

***Governmental Funds***

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found beginning on page 16 and is accounted for using the modified accrual basis of accounting.

At the end of 2006, the City of Ravenna reported combined governmental fund balances of \$13,381,037. Of this amount, \$7,762,299 constitutes unreserved balances, which is available for spending. The remaining \$5,618,738 is reserved to indicate what is not available for spending due to contractual commitments and purchases of the prior period. Of the total reserved balance, loans receivable to the City's portfolio of Revolving Loans of \$5,386,055 represent 95.9 percent of the reserve. The reserve for encumbrances accounted for 4.1 percent of the reserved fund balances.

Combined governmental funds had total revenues of \$11,231,970 and expenditures of \$10,707,184 leaving a difference of revenues over expenditures of \$524,786. The surplus was primarily the result of increased General Fund revenues produced by an income tax rate increase and a significant gain in interest income earned. The General Fund is the primary operating fund of the City, and at the end of 2006 it had a balance of \$3,917,955, an increase of \$668,242 over 2005.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

Budget change requests are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes typically consist of requests for capital expenditures.

The General Fund supports many major activities that include Police, Fire, and a portion of EMS services, in addition to being the funding source for legislative and administrative activities. The general fund is monitored closely with regard to annual revenues and related expenditures, as an ongoing effort to ensure revenues and expenditures are kept in balance on an annual basis, independent of any available fund balance. This objective has been incorporated as a key component of the Budget Commission's review process in an effort to identify annual deficits that could potentially erode the fund balance.

The original 2006 general fund revenues were budgeted at \$5,675,269 and final budgeted revenues were \$5,989,307. Original appropriations in the general fund were budgeted at \$6,002,326 and final appropriations were \$6,699,299. The appropriation increase represented the projected costs associated with restoring Safety force manpower and City services that were cut as part of 2004 expenditure reductions.

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***Capital Assets and Debt Administration***

*Capital Assets*

Table 3 shows 2006 balances of capital assets as compared to 2005.

(Table 4)  
*Capital Assets at December 31*  
*(Net of Accumulated Depreciation)*

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$1,306,300	\$1,297,800	\$1,537,860	\$1,466,360	\$2,844,160	\$2,764,160
Construction in Progress	46,561	0	203,028	12,655,159	249,589	12,655,159
Buildings	2,479,097	2,563,768	4,918,455	2,389,018	7,397,552	4,952,786
Improvements other than Buildings	226,195	230,706	8,599,922	6,529,746	8,826,117	6,760,452
Furniture, Fixtures and Equipment	811,960	840,073	7,465,249	268,798	8,277,209	1,108,871
Vehicles	1,509,106	1,568,649	14,042	22,615	1,523,148	1,591,264
Infrastructure	37,762,696	38,763,927	14,030,325	14,259,701	51,793,021	53,023,628
Total Capital Assets	<u>\$44,141,915</u>	<u>\$45,264,923</u>	<u>\$36,768,881</u>	<u>\$37,591,397</u>	<u>\$80,910,796</u>	<u>\$82,856,320</u>

Total capital assets for governmental activities of the City of Ravenna were \$44,141,915, a decrease of \$1,123,008 from 2005. This decrease was due to annual depreciation being taken on the assets. Capital assets for business-type activities were \$36,768,881 a decrease of \$822,516 over 2005. This decrease was due to annual depreciation being taken on the assets. Additional information concerning the City's capital assets can be found in Note 12 to the basic financial statements.

*Debt*

At December 31, 2006, the City of Ravenna had governmental long-term obligations of \$7,920,283 in bonds, fire pension, capital leases and compensated absences outstanding. The Library bonds account for \$5,039,568 or 63.6 percent of the total governmental activities. At December 31, 2006 the City had \$16,617,498 outstanding in long-term business-type obligations, which include bonds, OPWC loans, OWDA loans, capital leases and compensated absences. Table 4 summarizes the City's long-term obligations outstanding.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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(Table 5)  
*Outstanding Long-term Obligations at Year End*

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$1,132,127	\$1,220,595	\$0	\$0	\$1,132,127	\$1,220,595
Special Assessment Bonds	342,872	374,404	0	0	342,872	374,404
Library Bonds	5,039,568	5,137,628	0	0	5,039,568	5,137,628
Mortgage Revenue Bonds	0	0	1,023,703	1,341,605	1,023,703	1,341,605
OPWC Loans	0	0	214,144	234,948	214,144	234,948
OWDA Loans	0	0	14,786,252	15,575,987	14,786,252	15,575,987
Fire Pension	102,437	104,264	0	0	102,437	104,264
Capital Leases	280,706	247,684	105,268	0	385,974	247,684
Compensated Absences	1,022,573	921,607	488,131	542,211	1,510,704	1,463,818
<b>Total</b>	<b>\$7,920,283</b>	<b>\$8,006,182</b>	<b>\$16,617,498</b>	<b>\$17,694,751</b>	<b>\$24,537,781</b>	<b>\$25,700,933</b>

The general obligation bonds consist of a 1993 street improvement bond, a 1994 street improvement bond and a municipal building improvement bond. The special assessment bond is also related to the 1994 street improvement project and is repaid from the collection of assessments by the County Auditor from the specific property owners who benefit from the project. As previously noted, the library improvement bonds represent debt, as principal and interest are paid by the taxes provided by a property tax levy through the Reed Memorial Library. Governmental long-term obligations, net of the library bonds are \$2,880,715.

Business-type debt includes a 1999 waterworks refunding issuance that is repaid with a combination of water fund revenues and a designated portion of income tax receipts. OPWC loans outstanding for infrastructure improvement projects are also repaid using water revenues. The OWDA loans consist of a 1993 wastewater treatment plant loan and the acknowledged debt on the wastewater improvements that are in process. The 1993 loan is paid exclusively with sewer revenue.

Additional information concerning debt issuances can be found in Note 13 to the basic financial statements.

**Current Financial Related Activities**

In 2006 the City of Ravenna experienced a slow, but steady recovery from the economic hard times of the previous four years. Fueled by a General Fund-specific income tax increase, surging interest rates, and a reduced operating cost structure that carried into 2006, the City was able to gradually bring Police and Fire staffing back up to the levels that existed prior to the 2004 layoffs. The final 2006 General Fund budget projected out below the break-even point in terms of annual revenues vs. annual expenditures, however the year finished with a surplus of better than \$700,000. Total General Fund revenues were more than anticipated by \$582,362, and again, income tax and interest income comprised 95 percent of the gain. Expenditures also ended well below budget in 2006, as the cost of self-funded employee health care coverage finished significantly better than anticipated in all departments.

Overall, the combination of these factors leads to a \$668,242 positive net change in the General Fund balance. The year finished with a General Fund balance of \$3,917,955, the highest level since 2001.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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The necessity of having to rebuild and restore the General Fund should serve as reminder that it was only two short years ago that the City was facing what looked to be a financial crisis on the horizon. In the end, Ravenna was fortunate to have escaped the economic downturn of 2002 without experiencing the casualties of plant closings, relocations, or permanent employment reductions that impacted many communities in Northeast Ohio. The end product of these difficult times wasn't simply the ability to restore the General Fund balance. It was more about creating budgetary practices that enable the City, at all levels, to be more aware of those factors that drive fund balances. Operating with the single goal of matching annual revenues with annual expenditures allows Department Heads, City Administrators and the Budget Commission to monitor the activity in all funds to ensure that any signs of pending financial strain is identified and acted upon in a pro-active manner.

In 2006 the City's two business-type funds performed as projected, with a watchful eye being kept on the Water Fund, as expenditures began to compress stagnant revenues. A water rate increase coupled with several permanent cost cutting measures helped keep the fund near the annual break-even point. The pending retirement of a significant amount of annual debt service will also provide some short-term relief to operating funds in the next two years.

The Sewer Fund, now operating with an upgraded plant, will most likely show fund stability over the next several years. Staffing levels were reduced as a result of plant automation and capital improvement items should be limited to non-structure related costs. The joint venture with Portage County to expand capacity and update existing technology at the plant has proved successful for both entities and for the residents of Ravenna and Portage County as well.

**Contacting the City's Finance Department**

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Kimble Cecora, Finance Director, City of Ravenna, 210 Park Way, Ravenna, Ohio 44266, 330-297-2152.



**City of Ravenna, Ohio**

*Statement of Net Assets*

*December 31, 2006*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,205,591	\$2,458,600	\$9,664,191
Cash and Cash Equivalents			
With Fiscal Agents	469	1,586	2,055
Investments with Fiscal Agents	0	429,343	429,343
Materials and Supplies Inventory	84,501	112,320	196,821
Accounts Receivable	501,373	499,778	1,001,151
Internal Balances	39,261	(39,261)	0
Intergovernmental Receivable	1,451,324	5,860,981	7,312,305
Prepaid Items	100,806	39,515	140,321
Income Taxes Receivable	1,172,974	212,702	1,385,676
Property Taxes Receivable	732,174	0	732,174
Deferred Charges	0	35,584	35,584
Special Assessments Receivable	345,920	0	345,920
Loans Receivable	5,984,505	0	5,984,505
Nondepreciable Capital Assets	1,352,861	1,740,888	3,093,749
Depreciable Capital Assets, Net	42,789,054	35,027,993	77,817,047
<i>Total Assets</i>	<u>61,760,813</u>	<u>46,380,029</u>	<u>108,140,842</u>
<b>Liabilities</b>			
Accounts Payable	50,612	77,560	128,172
Accrued Wages	185,286	83,188	268,474
Intergovernmental Payable	390,931	123,064	513,995
Matured Bonds Payable	469	0	469
Accrued Interest Payable	39,344	3,678	43,022
Claims Payable	111,936	0	111,936
Deferred Revenue	689,118	5,860,981	6,550,099
Notes Payable	205,000	0	205,000
Long-Term Liabilities:			
Due Within One Year	669,094	1,373,855	2,042,949
Due In More Than One Year	7,251,189	15,243,673	22,494,862
<i>Total Liabilities</i>	<u>9,592,979</u>	<u>22,765,999</u>	<u>32,358,978</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	42,181,210	20,675,068	62,856,278
Restricted for:			
Capital Projects	1,814,939	0	1,814,939
Debt Service	287,473	0	287,473
Revolving Loans	6,548,575	0	6,548,575
Street Construction, Maintenance and Repair	1,050,020	0	1,050,020
Emergency Medical Services	333,418	0	333,418
State Highway	138,881	0	138,881
Housing and Urban Development	530,178	0	530,178
Other Purposes	505,117	0	505,117
Replacement and Improvement	0	275,000	275,000
Operation and Maintenance	0	610,639	610,639
Unrestricted (Deficit)	(1,221,977)	2,053,323	831,346
<i>Total Net Assets</i>	<u>\$52,167,834</u>	<u>\$23,614,030</u>	<u>\$75,781,864</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2006

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$1,306,952	\$103,603	\$5,363	\$0
Security of Persons and Property:				
Police	3,166,487	235,561	86,381	0
Fire	2,049,694	516,850	3,646	0
Leisure Time Activities	983,086	415,700	55,545	86,182
Public Health and Welfare	418,362	32,404	233	0
Community Environment	740,716	253,690	565,939	0
Transportation	2,326,417	0	597,266	0
Basic Utility Services	256,393	13,551	97	0
Economic Development	59,307	165	262,294	0
Interest and Fiscal Charges	351,099	0	0	0
<i>Total Governmental Activities</i>	<u>11,658,513</u>	<u>1,571,524</u>	<u>1,576,764</u>	<u>86,182</u>
<b>Business-Type Activities:</b>				
Water	3,303,115	2,189,529	0	146,168
Sewer	3,480,039	2,950,845	0	142,033
<i>Total Business-Type Activities</i>	<u>6,783,154</u>	<u>5,140,374</u>	<u>0</u>	<u>288,201</u>
<i>Total</i>	<u>\$18,441,667</u>	<u>\$6,711,898</u>	<u>\$1,576,764</u>	<u>\$374,383</u>

**General Revenues**

Property Taxes Levied for  
    General Purposes  
Municipal Income Taxes Levied for:  
    General Purposes  
    Street Construction, Maintenance and Repair  
    Recreation  
    Emergency Medical Services  
    Capital Outlay  
    Water Department  
    Sewer Department  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Other

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - Restated (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,197,986)	\$0	(\$1,197,986)
(2,844,545)	0	(2,844,545)
(1,529,198)	0	(1,529,198)
(425,659)	0	(425,659)
(385,725)	0	(385,725)
78,913	0	78,913
(1,729,151)	0	(1,729,151)
(242,745)	0	(242,745)
203,152	0	203,152
(351,099)	0	(351,099)
(8,424,043)	0	(8,424,043)
0	(967,418)	(967,418)
0	(387,161)	(387,161)
0	(1,354,579)	(1,354,579)
(8,424,043)	(1,354,579)	(9,778,622)
711,675	0	711,675
3,915,920	0	3,915,920
547,469	0	547,469
372,428	0	372,428
294,893	0	294,893
957,453	0	957,453
0	921,539	921,539
0	410,120	410,120
1,364,977	0	1,364,977
490,983	0	490,983
117,460	120,776	238,236
8,773,258	1,452,435	10,225,693
349,215	97,856	447,071
51,818,619	23,516,174	75,334,793
<u>\$52,167,834</u>	<u>\$23,614,030</u>	<u>\$75,781,864</u>

**City of Ravenna, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2006*

	General	Revolving Loan	Street Construction, Maintenance and Repair	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and						
Cash Equivalents	\$3,743,378	\$564,070	\$837,983	\$922,799	\$1,137,361	\$7,205,591
Cash and Cash Equivalents						
With Fiscal Agents	0	0	0	0	469	469
Materials and Supplies Inventory	25,346	0	48,989	0	10,166	84,501
Accounts Receivable	108,817	0	0	200	392,356	501,373
Interfund Receivable	14,863	0	0	0	0	14,863
Intergovernmental Receivable	497,748	0	279,702	0	673,874	1,451,324
Prepaid Items	71,142	0	16,299	342	13,023	100,806
Income Taxes Receivable	728,865	0	101,847	182,909	159,353	1,172,974
Property Taxes Receivable	732,174	0	0	0	0	732,174
Special Assessments Receivable	22,371	0	0	765	322,784	345,920
Loans Receivable	0	5,984,505	0	0	0	5,984,505
<i>Total Assets</i>	<u>\$5,944,704</u>	<u>\$6,548,575</u>	<u>\$1,284,820</u>	<u>\$1,107,015</u>	<u>\$2,709,386</u>	<u>\$17,594,500</u>
<b>Liabilities</b>						
Accounts Payable	\$26,376	\$0	\$6,380	\$12,762	\$5,094	\$50,612
Accrued Wages	149,913	0	20,558	542	14,273	185,286
Intergovernmental Payable	327,554	0	29,377	1,694	32,306	390,931
Interfund Payable	0	0	0	0	14,863	14,863
Matured Bonds Payable	0	0	0	0	469	469
Deferred Revenue	1,522,906	0	289,382	105,534	1,448,480	3,366,302
Notes Payable	0	0	0	205,000	0	205,000
<i>Total Liabilities</i>	<u>2,026,749</u>	<u>0</u>	<u>345,697</u>	<u>325,532</u>	<u>1,515,485</u>	<u>4,213,463</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	37,063	25,080	1,298	120,167	49,075	232,683
Reserved for Loans Receivable	0	5,386,055	0	0	0	5,386,055
Unreserved, Undesignated, Reported in:						
General Fund	3,880,892	0	0	0	0	3,880,892
Special Revenue Funds	0	1,137,440	937,825	0	531,697	2,606,962
Capital Projects Funds	0	0	0	661,316	613,129	1,274,445
<i>Total Fund Balances</i>	<u>3,917,955</u>	<u>6,548,575</u>	<u>939,123</u>	<u>781,483</u>	<u>1,193,901</u>	<u>13,381,037</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,944,704</u>	<u>\$6,548,575</u>	<u>\$1,284,820</u>	<u>\$1,107,015</u>	<u>\$2,709,386</u>	<u>\$17,594,500</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006*

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<b>Total Governmental Fund Balances</b>	<b>\$13,381,037</b>
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*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	44,141,915
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	43,056
Income Taxes	671,871
Intergovernmental	1,243,999
Charges for Services	372,338
Special Assessments	<u>345,920</u>

Total	2,677,184
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Internal service funds are used by management to charge the costs of insurance and materials and supplies to individual funds.

The assets and liabilities of the internal service fund are included as part of governmental activities in the statement of net assets.

Net Assets	(111,936)
Internal Balances	<u>39,261</u>

Total	(72,675)
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In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(39,344)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,132,127)
Special Assessment Bonds	(342,872)
Library Bonds	(5,090,000)
Discount on Library Bonds	50,432
Fire Pension Payable	(102,437)
Capital Leases Payable	(280,706)
Compensated Absences	<u>(1,022,573)</u>

Total	<u>(7,920,283)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$52,167,834</u></u>
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See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Revolving Loan	Street Construction, Maintenance and Repair	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property and Other Local Taxes	\$698,628	\$0	\$0	\$0	\$0	\$698,628
Income Taxes	3,821,216	0	534,236	749,379	830,923	5,935,754
Intergovernmental	1,042,122	262,293	570,904	31,358	509,929	2,416,606
Interest	450,269	24,118	14,360	0	2,236	490,983
Fees, Licenses and Permits	270,892	0	0	0	0	270,892
Fines and Forfeitures	49,655	0	0	0	5,068	54,723
Rentals	10,946	0	0	9,400	0	20,346
Charges for Services	151,430	0	0	0	1,008,216	1,159,646
Contributions and Donations	3,500	0	0	0	18,519	22,019
Special Assessments	0	0	0	0	44,913	44,913
Other	34,004	0	3,719	45,345	34,392	117,460
<i>Total Revenues</i>	<u>6,532,662</u>	<u>286,411</u>	<u>1,123,219</u>	<u>835,482</u>	<u>2,454,196</u>	<u>11,231,970</u>
<b>Expenditures</b>						
Current:						
General Government	1,267,980	0	0	0	3,293	1,271,273
Security of Persons and Property:						
Police	2,789,804	0	0	0	138,603	2,928,407
Fire	1,033,364	0	0	0	759,042	1,792,406
Leisure Time Activities	0	0	0	0	807,069	807,069
Public Health and Welfare	392,086	0	0	0	0	392,086
Community Environment	235,824	0	0	0	233,673	469,497
Transportation	0	0	911,790	0	32,841	944,631
Basic Utility Services	166,142	0	0	0	0	166,142
Economic Development	2,014	57,293	0	0	0	59,307
Capital Outlay	0	0	0	987,278	267,336	1,254,614
Debt Service:						
Principal Retirement	4,137	0	0	123,328	140,368	267,833
Interest and Fiscal Charges	699	0	0	66,815	286,405	353,919
<i>Total Expenditures</i>	<u>5,892,050</u>	<u>57,293</u>	<u>911,790</u>	<u>1,177,421</u>	<u>2,668,630</u>	<u>10,707,184</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>640,612</u>	<u>229,118</u>	<u>211,429</u>	<u>(341,939)</u>	<u>(214,434)</u>	<u>524,786</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	21,700	0	0	0	0	21,700
Inception of Capital Lease	12,169	0	0	66,859	0	79,028
Transfers In	0	0	0	0	14,157	14,157
Transfers Out	(6,239)	0	0	0	(7,918)	(14,157)
<i>Total Other Financing Sources (Uses)</i>	<u>27,630</u>	<u>0</u>	<u>0</u>	<u>66,859</u>	<u>6,239</u>	<u>100,728</u>
<i>Net Change in Fund Balances</i>	668,242	229,118	211,429	(275,080)	(208,195)	625,514
<i>Fund Balances Beginning of Year</i>	<u>3,249,713</u>	<u>6,319,457</u>	<u>727,694</u>	<u>1,056,563</u>	<u>1,402,096</u>	<u>12,755,523</u>
<i>Fund Balances End of Year</i>	<u>\$3,917,955</u>	<u>\$6,548,575</u>	<u>\$939,123</u>	<u>\$781,483</u>	<u>\$1,193,901</u>	<u>\$13,381,037</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$625,514</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital Outlay	581,083
Depreciation	<u>(1,515,389)</u>
Total	(934,306)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(188,702)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property Taxes	13,047
Income Taxes	152,409
Intergovernmental	589,298
Charges for Services	65,917
Special Assessments	<u>(44,913)</u>
Total	775,758
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	267,833
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest on Bonds	4,760
Amortization of Discount	<u>(1,940)</u>
Total	2,820
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds.	
	(100,966)
Other financing sources in the governmental funds, such as the inception of a capital lease, increase long-term liabilities in the statement of net assets.	
	(79,028)
The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.	
Change in Net Assets	(30,354)
Internal Balances	<u>10,646</u>
Total	<u>(19,708)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$349,215</u></u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Local Taxes	\$684,937	\$659,327	\$698,628	\$39,301
Income Taxes	3,360,777	3,534,759	3,945,521	410,762
Intergovernmental	827,176	899,521	962,692	63,171
Interest	182,500	310,000	450,269	140,269
Fees, Licenses and Permits	243,105	269,015	268,287	(728)
Fines and Forfeitures	87,800	87,200	49,655	(37,545)
Rentals	8,000	10,600	10,946	346
Charges for Services	143,600	154,461	148,167	(6,294)
Contributions and Donations	4,100	7,600	3,500	(4,100)
Other	133,274	56,824	34,004	(22,820)
<i>Total Revenues</i>	5,675,269	5,989,307	6,571,669	582,362
<b>Expenditures</b>				
Current:				
General Government	1,428,469	1,576,906	1,261,106	315,800
Security of Persons and Property:				
Police	2,750,815	2,780,623	2,766,563	14,060
Fire	1,134,698	1,413,600	994,659	418,941
Public Health and Welfare	226,552	446,101	388,014	58,087
Community Environment	275,817	263,918	237,585	26,333
Basic Utility Services	181,750	213,926	193,877	20,049
Economic Development	4,225	4,225	1,909	2,316
<i>Total Expenditures</i>	6,002,326	6,699,299	5,843,713	855,586
<i>Excess of Revenues Over (Under) Expenditures</i>	(327,057)	(709,992)	727,956	1,437,948
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	21,700	21,700
Advances In	46,500	73,154	42,085	(31,069)
Advances Out	(32,294)	(39,433)	(39,433)	0
Transfers Out	(6,239)	(6,239)	(6,239)	0
<i>Total Other Financing Sources (Uses)</i>	7,967	27,482	18,113	(9,369)
<i>Net Change in Fund Balance</i>	(319,090)	(682,510)	746,069	1,428,579
<i>Fund Balance Beginning of Year</i>	2,932,689	2,932,689	2,932,689	0
Prior Year Encumbrances Appropriated	23,691	23,691	23,691	0
<i>Fund Balance End of Year</i>	\$2,637,290	\$2,273,870	\$3,702,449	\$1,428,579

See accompanying notes to the basic financial statements



**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Revolving Loan Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$326,123	\$386,500	\$189,361	(\$197,139)
Interest	41,537	13,560	24,118	10,558
<i>Total Revenues</i>	367,660	400,060	213,479	(186,581)
<b>Expenditures</b>				
Current:				
Economic Development	379,083	456,911	90,214	366,697
<i>Net Change in Fund Balance</i>	(11,423)	(56,851)	123,265	180,116
<i>Fund Balance Beginning of Year</i>	404,905	404,905	404,905	0
Prior Year Encumbrances Appropriated	10,820	10,820	10,820	0
<i>Fund Balance End of Year</i>	<u>\$404,302</u>	<u>\$358,874</u>	<u>\$538,990</u>	<u>\$180,116</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Construction, Maintenance and Repair Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$477,097	\$502,722	\$539,330	\$36,608
Intergovernmental	493,000	568,000	566,490	(1,510)
Interest	5,000	10,000	14,360	4,360
Other	3,073	3,343	3,719	376
<i>Total Revenues</i>	978,170	1,084,065	1,123,899	39,834
<b>Expenditures</b>				
Current:				
Transportation	1,041,206	1,067,637	923,640	143,997
<i>Net Change in Fund Balance</i>	(63,036)	16,428	200,259	183,831
<i>Fund Balance Beginning of Year</i>	617,443	617,443	617,443	0
Prior Year Encumbrances Appropriated	18,843	18,843	18,843	0
<i>Fund Balance End of Year</i>	\$573,250	\$652,714	\$836,545	\$183,831

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2006*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$670,450	\$999,762	\$1,670,212	\$0
Materials and Supplies Inventory	104,197	8,123	112,320	0
Accounts Receivable	217,536	282,242	499,778	0
Intergovernmental Receivable	0	5,860,981	5,860,981	0
Prepaid Items	26,255	13,260	39,515	0
Income Taxes Receivable	173,210	39,492	212,702	0
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	333,678	0	333,678	0
<i>Total Current Assets</i>	<u>1,525,326</u>	<u>7,203,860</u>	<u>8,729,186</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	454,710	0	454,710	0
Investments with Fiscal Agents	429,343	0	429,343	0
Cash and Cash Equivalents with Fiscal Agents	1,586	0	1,586	0
Deferred Charges	35,584	0	35,584	0
Nondepreciable Capital Assets	1,453,928	286,960	1,740,888	0
Depreciable Capital Assets, Net	18,941,481	16,086,512	35,027,993	0
<i>Total Noncurrent Assets</i>	<u>21,316,632</u>	<u>16,373,472</u>	<u>37,690,104</u>	<u>0</u>
<i>Total Assets</i>	<u>\$22,841,958</u>	<u>\$23,577,332</u>	<u>\$46,419,290</u>	<u>\$0</u>

(continued)

**City of Ravenna, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds (continued)*  
*December 31, 2006*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	\$45,319	\$32,241	\$77,560	\$0
Accrued Wages	47,855	35,333	83,188	0
Intergovernmental Payable	69,746	53,318	123,064	0
Compensated Absences Payable	79,462	74,365	153,827	0
Capital Leases Payable	12,268	12,268	24,536	0
Deferred Revenue	0	5,860,981	5,860,981	0
OPWC Loans Payable	20,804	0	20,804	0
OWDA Loans Payable	18,801	825,887	844,688	0
Claims Payable	0	0	0	111,936
Payables from Restricted Assets:				
Mortgage Revenue Bonds Payable	330,000	0	330,000	0
Accrued Interest Payable	3,678	0	3,678	0
<i>Total Current Liabilities</i>	<u>627,933</u>	<u>6,894,393</u>	<u>7,522,326</u>	<u>111,936</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	173,305	160,999	334,304	0
Capital Leases Payable	40,366	40,366	80,732	0
Mortgage Revenue Bonds Payable	693,703	0	693,703	0
OPWC Loans Payable	193,340	0	193,340	0
OWDA Loans Payable	414,812	13,526,782	13,941,594	0
<i>Total Long-Term Liabilities</i>	<u>1,515,526</u>	<u>13,728,147</u>	<u>15,243,673</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,143,459</u>	<u>20,622,540</u>	<u>22,765,999</u>	<u>111,936</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	18,706,899	1,968,169	20,675,068	0
Restricted for:				
Replacement and Improvement	275,000	0	275,000	0
Operation and Maintenance	610,639	0	610,639	0
Unrestricted (Deficit)	1,105,961	986,623	2,092,584	(111,936)
<i>Total Net Assets (Deficit)</i>	<u>\$20,698,499</u>	<u>\$2,954,792</u>	23,653,291	<u>(\$111,936)</u>

Net assets reported for business-type activities in the statement of net assets are different because they include accumulated underpayments to the internal service fund: (39,261)

Net assets of business-type activities \$23,614,030

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2006*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services Pledged as Security for Revenue Bonds	\$374,140	\$0	\$374,140	\$0
Charges for Services - Unpledged	1,807,655	2,909,995	4,717,650	1,310,911
Tap-In Fees	7,734	40,850	48,584	0
Other	68,363	52,413	120,776	0
<i>Total Operating Revenues</i>	<u>2,257,892</u>	<u>3,003,258</u>	<u>5,261,150</u>	<u>1,310,911</u>
<b>Operating Expenses</b>				
Personal Services	1,693,402	1,390,599	3,084,001	0
Materials and Supplies	457,065	186,450	643,515	0
Contractual Services	496,527	768,591	1,265,118	307,306
Depreciation	591,416	557,628	1,149,044	0
Claims	0	0	0	1,033,959
<i>Total Operating Expenses</i>	<u>3,238,410</u>	<u>2,903,268</u>	<u>6,141,678</u>	<u>1,341,265</u>
<i>Operating Income (Loss)</i>	<u>(980,518)</u>	<u>99,990</u>	<u>(880,528)</u>	<u>(30,354)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Municipal Income Taxes	921,539	410,120	1,331,659	0
Interest and Fiscal Charges	(58,943)	(571,887)	(630,830)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>862,596</u>	<u>(161,767)</u>	<u>700,829</u>	<u>0</u>
<i>Loss before Capital Contributions</i>	(117,922)	(61,777)	(179,699)	(30,354)
Capital Contributions	146,168	142,033	288,201	0
<i>Change in Net Assets</i>	28,246	80,256	108,502	(30,354)
<i>Net Assets (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>20,670,253</u>	<u>2,874,536</u>		<u>(81,582)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$20,698,499</u>	<u>\$2,954,792</u>		<u>(\$111,936)</u>
Some amounts reported for business-type activities in the statement of activities are different because a portion of the net revenue of the internal service fund reduces expenses in the business-type activities.			<u>(10,646)</u>	
Change in net assets of business-type activities			<u>\$97,856</u>	

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2006

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,171,761	\$2,957,202	\$5,128,963	\$0
Cash Received from Interfund Services Provided	0	0	0	1,310,911
Tap In Fees	7,734	40,850	48,584	0
Other Operating Revenues	68,363	52,499	120,862	0
Cash Payments to Suppliers for Materials and Supplies	(499,347)	(230,478)	(729,825)	0
Cash Payments for Employee Services and Benefits	(1,677,274)	(1,438,736)	(3,116,010)	0
Cash Payments for Contractual Services	(465,397)	(720,587)	(1,185,984)	0
Cash Payments for Goods and Services	0	0	0	(307,306)
Cash Payments for Claims	0	0	0	(1,003,605)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(394,160)</u>	<u>660,750</u>	<u>266,590</u>	<u>0</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Municipal Income Taxes	907,696	406,964	1,314,660	0
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(326,528)	0	(326,528)	0
Capital Grants	146,168	142,033	288,201	0
Inception of Capital Lease	66,858	66,858	133,716	0
Principal Paid on Revenue Bonds	(320,000)	0	(320,000)	0
Principal Paid on OWDA Loans	(5,727)	(783,978)	(789,705)	0
Principal Paid on OPWC Loans	(20,804)	0	(20,804)	0
Principal Paid on Capital Leases	(14,224)	(14,224)	(28,448)	0
Interest Paid on Revenue Bonds	(38,620)	0	(38,620)	0
Interest Paid on OWDA Loans	(16,325)	(571,375)	(587,700)	0
Interest Paid on Capital Leases	(512)	(512)	(1,024)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(529,714)</u>	<u>(1,161,198)</u>	<u>(1,690,912)</u>	<u>0</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	<u>(16,178)</u>	<u>(93,484)</u>	<u>(109,662)</u>	<u>0</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,476,602</u>	<u>1,093,246</u>	<u>2,569,848</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,460,424</u>	<u>\$999,762</u>	<u>\$2,460,186</u>	<u>\$0</u>

(continued)

**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Year Ended December 31, 2006*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	(\$980,518)	\$99,990	(\$880,528)	(\$30,354)
Adjustments:				
Depreciation	591,416	557,628	1,149,044	0
(Increase) Decrease in Assets:				
Accounts Receivable	(10,034)	47,293	37,259	0
Materials and Supplies Inventory	9,764	4,307	14,071	0
Prepaid Items	3,230	(3,031)	199	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(24,146)	2,572	(21,574)	0
Accrued Wages	5,682	(2,919)	2,763	0
Compensated Absences Payable	(4,425)	(49,655)	(54,080)	0
Intergovernmental Payable	14,871	4,565	19,436	0
Claims Payable	0	0	0	30,354
<i>Total Adjustments</i>	586,358	560,760	1,147,118	30,354
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$394,160)	\$660,750	\$266,590	\$0

**Noncash Capital Financing Activities**

Fair market value of investments increased from the beginning of the year to the end of the year by \$9,380.

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2006*

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**Assets**

Equity in Pooled Cash and  
Cash Equivalents

\$14,774

**Liabilities**

Deposits Held and Due to Others

\$14,774

See accompanying notes to the basic financial statements



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 1 - Reporting Entity and Basis of Presentation**

The City of Ravenna (the “City”) was incorporated under the laws of the State of Ohio in 1852, and adopted its first charter in 1971. The Charter provides for a Mayor-Council form of government. The Mayor is elected for a four-year term and eight Council members are elected at large for four year staggered terms.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Ravenna this includes the agencies and departments that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Metro Critical Response and Rescue Team which is defined as jointly governed organization. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. This organization is discussed in Note 18 to the basic financial statements.

The City participates in the Maple Grove Union Cemetery which is defined as a joint venture. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. This organization is discussed in Note 19 to the basic financial statements.

The City is associated with the Reed Memorial Library which is defined as a related organization. This organization is discussed in Note 20 to the basic financial statements.

The Ravenna City School District has been excluded from the reporting entity because the City is not financially accountable for this organization nor does the City approve the budget, the levying of taxes or the issuance of debt for this organization.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City of Ravenna have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

***A. Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***B. Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Governmental Funds** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

**General Fund** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Revolving Loan Fund** The revolving loan fund accounts for Federal monies used to make loans for economic development projects within the City.

**Street Construction, Maintenance and Repair Fund** The street construction, maintenance and repair fund accounts for income tax proceeds and State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

**Capital Improvements Fund** The capital improvements fund accounts for income tax revenue used for various capital projects.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

**Water Fund** The water fund accounts for revenues generated from the charges for distribution of water to the residential and commercial users of the City.

**Sewer Fund** The sewer fund accounts for sewer services to City individuals and commercial users in the City. The costs of providing these services are financed primarily through user charges.

**Internal Service Funds** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is a self-insurance fund that accounts for dental, life and hospital/medical claims of the City's employees.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City only utilizes the agency fund type. The City's agency funds are used for construction deposits.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, interest, federal and state grants and subsidies, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The City utilizes a financial institution to service general obligation bonded debt as principal and interest come due. The balance of this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents."

The City utilizes a fiscal agent to hold monies set aside for replacement and improvement and operation and maintenance under the provisions of the bond indenture. The balances in these accounts are presented on the balance sheet as, "investments with fiscal agent" or "cash and cash equivalents with fiscal agent."

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost.

During the year, the City's investments were limited to United States Treasury Notes, which are reported at fair value, a repurchase agreement and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$450,269 which includes \$268,216 assigned from other City funds.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***H. Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the Waterworks System Revenue Refunding bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements and in the City's enterprise funds.

***I. Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars for governmental activities and twenty thousand dollars for business type activities. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	50 - 100 years	50 - 100 years
Improvements Other than Buildings	20 years	20 years
Furniture, Fixtures and Equipment	5 - 30 years	5 - 20 years
Vehicles	5 - 25 years	5 - 10 years
Infrastructure:		
Streets	50 - 75 years	n/a
Storm Drains	40 - 150 years	n/a
Sidewalks	40 years	n/a
Fire Hydrants	75 years	n/a
Traffic Lights	30 - 40 years	n/a
Water and Sewer Lines	n/a	60- 150 years

The City's infrastructure consists of streets, storm drains, sidewalks, fire hydrants, traffic lights and water and sewer lines and includes infrastructure acquired prior to December 31, 1980.

***J. Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments within the next five years). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service.

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***M. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances and loans receivable (revolving loan monies loaned to local businesses).

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$11,208,601, none of which are restricted by enabling legislation. Net assets restricted for other purposes include recreation, recycling and law enforcement.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and self insurance programs. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

***P. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants restricted to capital acquisition and construction.

***Q. Internal Activity***

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***R. Bond Discount***

Bond discounts for business-type activities are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, which is included in other assets on the statement of net assets.

***S. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

***T. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***U. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control is at the department level for the general fund and at the fund level for all other funds. The Director of Finance is authorized to allocate appropriations among objects within any department. Any budgetary modifications at the legal level of control may only be made by ordinance of the City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**Note 3 - Change in Accounting Principle and Restatement of Net Assets**

**A. Change in Accounting Principle**

For fiscal year 2006, the City has implemented GASB Statement No. 47, "Accounting for Termination Benefits". The implementation of GASB Statement No. 47 did not materially affect the presentation of the financial statements of the City.

**B. Restatement of Net Assets**

The County's sewer fund was overstated at December 31 2005, due to the finalization of the WWTP Expansion OWDA loan and overstated capital assets.

	Water	Sewer	Total Enterprise Funds
Net Assets December 31, 2005	\$20,670,253	\$3,773,502	\$24,443,755
Finalization of OWDA Loan	0	(395,286)	(395,286)
Overstatement of Capital Assets	0	(503,680)	(503,680)
Restated Net Assets December 31, 2005	\$20,670,253	\$2,874,536	23,544,789
Internal Balance			(28,615)
Restated Net Assets, Business-Type Activities, December 31, 2005			\$23,516,174

**Note 4 – Accountability and Compliance**

The deficit in the SAFE grants special revenue fund of \$9,386 was caused by revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The group hospitalization reserve internal service fund deficit of \$111,936 resulted from adjustments for accrued liabilities. The general fund is liable for any deficit and provides transfers when cash is required, not when accruals occur.

Management is currently analyzing the operations of the internal service fund to determine appropriate action to alleviate the deficit.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 5 - Budgetary Basis of Accounting**

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - are presented in the basic financial statements for the General Fund and Major Special Revenue funds. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds.

Net Change in Fund Balances

	General	Revolving Loan	Street Construction, Maintenance and Repair
GAAP Basis	\$668,242	\$229,118	\$211,429
Net Adjustment for			
Revenue Accruals	26,838	(126,329)	680
Advances In	42,085	0	0
Loan Payments Received	0	53,397	0
Net Adjustment for			
Expenditure Accruals	89,266	(142,011)	(10,412)
Advances Out	(39,433)	0	0
Loans Issued	0	134,170	0
Encumbrances	(40,929)	(25,080)	(1,438)
Budget Basis	\$746,069	\$123,265	\$200,259

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 6 - Deposits and Investments**

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

**Investments**

Investments are reported at fair value. As of December 31, 2006, the City had the following investments:

	Fair Value	Maturity
United States Treasury Notes	\$429,343	May 31, 2007
Underlying Securities of the Sweep Repurchase Agreement	980,000	January 1, 2007
STAROhio	8,825,467	Average - 39 Days
Total	\$10,234,810	

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase, unless they are matched to a specific obligation or debt of the City, and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**Credit Risk** The United States Treasury Notes and the underlying securities of the repurchase agreement carry a rating of AAA by Standard & Poor's and STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities of the repurchase agreement are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

## **Note 7 - Receivables**

Receivables at December 31, 2006 consisted primarily of municipal income taxes, property taxes, accounts (billings for user charged services including unbilled utility services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. Loans receivable presented in the special revenue funds represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under Federal Grant programs. The loans bear interest at annual rates ranging between zero and seven percent. The loans are to be repaid over periods ranging from five to thirteen years. Loans expected to be collected in more than one year are \$5,551,358.

No allowance for doubtful accounts has been recorded because uncollectible amounts are not expected to be significant.

Special assessments expected to be collected in more than one year amount to \$311,340 in the special assessment bond retirement fund. At December 31, 2006 the amount of delinquent special assessments was \$22,371.

### **A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes become a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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The full tax rate for all City operations for the year ended December 31, 2006, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$171,592,710
Tangible Personal Property	37,795,207
Public Utility Property	<u>5,676,650</u>
Total	<u><u>\$215,064,567</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Ravenna. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2006 and for which there is an enforceable legal claim. In the general fund the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

***B. Income Taxes***

The City levies a municipal income tax of 2.0 percent on substantially all income earned within the City. In addition, City residents are required to pay tax on income earned outside of the City. The City allows a credit of 100 percent for income tax paid to another municipality, not to exceed 2.0 percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 52.60 percent of the annual income tax proceeds were credited to the general fund, 7.35 percent to street construction, maintenance and repair, 5.00 percent to recreation levy, and 4.00 percent is credited to emergency management services special revenue funds, 2.50 percent to park improvement and 13.20 percent to capital improvements capital projects fund and 2.85 percent to the sewer and 12.50 percent to the water enterprise funds.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

***C. Intergovernmental***

A summary of intergovernmental receivables as of December 31, 2006, follows:

<u>Governmental Activities</u>	Amounts
Housing and Urban Development	\$521,981
Local Government and Local Government Revenue Assistance	352,932
Gasoline and Excise Tax	127,554
Estate Tax	103,293
Cents per Gallon Tax	71,220
FEMA Grants	68,403
Permissive Tax	56,610
Parks Capital Improvement Grants	47,394
Motor Vehicle License Tax	42,408
Homestead and Rollback	24,793
SAFE Grants	14,863
Metropolitan Housing Payment in Lieu of Taxes	11,672
Auditor of State Reimbursements	2,950
Ordinance Fees	2,720
Liquor and Beer Permits	2,343
Portage County Auditor	188
Total	<u><u>\$1,451,324</u></u>

During 1994, the City of Ravenna entered into a contractual agreement with Portage County for the construction of a sewage treatment facility and sewer lines. The project was financed by a \$5,476,391 Ohio Water Development Authority loan which is jointly signed by the City and the County. The County is responsible for 17.16 percent of the total loan commitment. The total amount owed to the City as of December 31, 2006 is \$231,217. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.

During 2003, the City of Ravenna entered into a contractual agreement with Portage County for the expansion of the waste water treatment plant. The project is being financed by an Ohio Water Development Authority loan which is jointly signed by the City and the County. This project was financed by a \$12,934,636 Ohio Water Development Authority loan which is jointly signed by the City and the County. The County is responsible for 50 percent of the total loan commitment. The total amount owed to the City as of December 31, 2006 is \$5,587,247. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.

During 2004, the City of Ravenna entered into a contractual agreement with Windmill Enterprises for an extension of the City's sanitary sewage lines for use in a new housing development and a golf course clubhouse. The project was financed by a \$292,433 Ohio Water Development Authority loan which is signed by the City. Windmill Enterprises has agreed to pay the City 25 percent of the total loan commitment. The total amount owed to the City as of December 31, 2006 is \$42,517. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**Note 8 – Interfund Transactions**

**A. Interfund Balances**

Interfund balances at December 31, 2006, consist of an interfund receivable in the general fund for \$14,863 and an interfund payable of \$14,863 in the SAFE grant special revenue fund.

The balance in the SAFE grant special revenue fund resulted from advances made from the general fund during 2006. These advances were made to cover qualifying expenditures in the grant fund which will be reimbursed when the grant monies are received by the City.

**B. Interfund Transfers**

Interfund transfers for the year ended December 31, 2006, consisted of the following:

	Transfers From		
Transfers To	General	Area Agency on Aging	Total
Fire Pension	\$6,239	\$0	\$6,239
Recreation	0	7,918	7,918
Total	\$6,239	\$7,918	\$22,075

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

**Note 9 - Risk Management**

The City of Ravenna is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City contracted with four companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
American Alternative Insurance	Umbrella Liability	\$5,000,000
Redland Insurance	General Liability	2,000,000
	Law Enforcement Liability - each person, each wrongful act	1,000,000
	Public Officials Liability	1,000,000
	Auto Liability	1,000,000
Arrowhead Insurance	Commercial Property	38,775,715
Fidelity Insurance	Bonds - Employees and Officials	100,000

**City of Ravenna, Ohio**  
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Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage from the prior year.

The City manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$60,000 per employee per year.

The claims liability of \$111,936 reported in the internal service fund at December 31, 2006, was estimated by reviewing current claims and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in 2005 and 2006 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2005	\$110,967	\$1,300,276	\$1,329,661	\$81,582
2006	81,582	1,033,959	1,003,605	111,936

**Note 10 – Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee hired before January 1, 1987, can be paid a maximum of 960 hours of accumulated, unused sick leave. Employees hired after January 1, 1987, can be paid a maximum of 650 hours.

**Note 11 - Contingencies**

**A. Grants**

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2006.

**B. Litigation**

The City of Ravenna is a party to legal proceedings. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**City of Ravenna, Ohio**  
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For the Year Ended December 31, 2006

**Note 12 - Capital Assets**

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,297,800	\$8,500	\$0	\$1,306,300
Construction in progress	0	46,561	0	46,561
Total capital assets not being depreciated	<u>1,297,800</u>	<u>55,061</u>	<u>0</u>	<u>1,352,861</u>
Capital assets being depreciated				
Buildings	4,941,456	0	0	4,941,456
Improvements other than Buildings	504,038	19,344	0	523,382
Furniture, Fixtures and Equipment	1,865,074	155,753	(71,928)	1,948,899
Vehicles	2,960,446	350,925	(285,503)	3,025,868
Infrastructure:				
Streets	43,223,959	0	0	43,223,959
Storm Drains	4,648,160	0	0	4,648,160
Sidewalks	8,662,500	0	0	8,662,500
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	610,800	0	0	610,800
Total capital assets being depreciated	<u>68,952,033</u>	<u>526,022</u>	<u>(357,431)</u>	<u>69,120,624</u>
Accumulated depreciation				
Buildings	(2,377,688)	(84,671)	0	(2,462,359)
Improvements other than Buildings	(273,332)	(23,855)	0	(297,187)
Furniture, Fixtures and Equipment	(1,025,001)	(161,462)	49,524	(1,136,939)
Vehicles	(1,391,797)	(244,170)	119,205	(1,516,762)
Infrastructure:				
Streets	(14,709,279)	(711,360)	0	(15,420,639)
Storm Drains	(2,236,173)	(35,525)	0	(2,271,698)
Sidewalks	(2,167,405)	(216,563)	0	(2,383,968)
Fire Hydrants	(532,734)	(20,475)	0	(553,209)
Traffic Lights	(271,501)	(17,308)	0	(288,809)
Total accumulated depreciation	<u>(24,984,910)</u>	<u>(1,515,389) *</u>	<u>168,729</u>	<u>(26,331,570)</u>
Capital assets being depreciated, net	<u>43,967,123</u>	<u>(989,367)</u>	<u>(188,702)</u>	<u>42,789,054</u>
Governmental activities capital assets, net	<u>\$45,264,923</u>	<u>(\$934,306)</u>	<u>(\$188,702)</u>	<u>\$44,141,915</u>

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,466,360	\$71,500	\$0	\$1,537,860
Construction in progress	12,655,159	203,028	(12,655,159)	203,028
Total capital assets not being depreciated	14,121,519	274,528	(12,655,159)	1,740,888
Capital assets being depreciated				
Buildings	5,080,629	2,670,095	0	7,750,724
Improvements other than Buildings	12,098,406	2,434,809	0	14,533,215
Furniture, Fixtures and Equipment	569,315	7,602,255	0	8,171,570
Vehicles	82,342	0	0	82,342
Infrastructure:				
Water Lines	15,837,575	0	0	15,837,575
Sewer Lines	6,532,228	0	0	6,532,228
Total capital assets being depreciated	40,200,495	12,707,159	0	52,907,654
Accumulated depreciation				
Buildings	(2,691,611)	(140,658)	0	(2,832,269)
Improvements other than Buildings	(5,568,660)	(364,633)	0	(5,933,293)
Furniture, Fixtures and Equipment	(300,517)	(405,804)	0	(706,321)
Vehicles	(59,727)	(8,573)	0	(68,300)
Infrastructure:				
Water Lines	(5,477,577)	(166,967)	0	(5,644,544)
Sewer Lines	(2,632,525)	(62,409)	0	(2,694,934)
Total accumulated depreciation	(16,730,617)	(1,149,044)	0	(17,879,661)
Capital assets being depreciated, net	23,469,878	11,558,115	0	35,027,993
Business-type activities capital assets, net	\$37,591,397	\$11,832,643	(\$12,655,159)	\$36,768,881

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$20,906
Security of Persons and Property:	
Police	90,331
Fire	129,015
Leisure Time Activities	66,707
Public Health and Welfare	20,475
Community Environment	270,443
Transportation	881,987
Basic Utility Services	35,525
Total	\$1,515,389

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2006

**Note 13 - Long-term Obligations**

Original issue amounts and interest rates of the City's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Business-Type Activities</b>			
<i>Mortgage Revenue Bonds:</i>			
Waterworks System			
Revenue Refunding Bonds - 1999	3.50% to 4.35%	\$3,315,000	2009
<i>OPWC Loans:</i>			
Cotton Corners Waterline - 1994	0.00%	112,173	2015
Lakewood Road Waterline - 1996	0.00%	168,327	2016
Hayes Road Waterline - 2000	0.00%	69,190	2019
Highland Avenue Reconstruction - 2001	0.00%	35,823	2021
Lake Avenue Water and Storm Loan - 2003	0.00%	30,556	2023
<i>OWDA Loans:</i>			
Sewer - 1993	5.00%	5,476,391	2012
Lovers Lane Windmill Sewer - 2003	3.95%	292,433	2022
Kent/Ravenna Emergency Waterline - 2003	3.65%	486,102	2023
WWTP Expansion - 2003	3.77%	12,934,646	2024
<b>Governmental Activities</b>			
<i>General Obligation Bonds:</i>			
Streetscape Bonds - 1993	3.50% to 6.30%	995,000	2013
Streetscape Bonds - 1994	4.20% to 6.35%	171,514	2014
Municipal Building Improvement - 2003	4.00% to 5.00%	635,000	2023
<i>Special Assessment Bonds</i>			
<i>with Governmental Commitments:</i>			
Streetscape Bonds - 1994	4.20% to 6.35%	638,486	2014
<i>Library Bonds:</i>			
Reed Memorial Library Bonds - 2003	2.00% to 5.00%	5,350,000	2033
<i>Other Long-Term Obligations:</i>			
Fire Pension	4.25%	136,183	2035

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2006

	Outstanding 12/31/05	Additions	(Reductions)	Outstanding 12/31/06	Amounts Due in One Year
<b>Business Type Activities</b>					
<b>Mortgage Revenue Bonds</b>					
Waterworks System Revenue Refunding Bonds	\$1,350,000	\$0	(\$320,000)	\$1,030,000	\$330,000
Discount on Refunding Bonds	(8,395)	2,098	0	(6,297)	0
<i>Total Mortgage Revenue Bonds</i>	<u>1,341,605</u>	<u>2,098</u>	<u>(320,000)</u>	<u>1,023,703</u>	<u>330,000</u>
<b>OPWC Loans</b>					
Cotton Corners Waterline	50,477	0	(5,608)	44,869	5,609
Lakewood Road Waterline	84,164	0	(8,417)	75,747	8,416
Hayes Road Waterline	46,704	0	(3,460)	43,244	3,460
Highland Avenue Reconstruction	26,867	0	(1,791)	25,076	1,791
Lake Avenue Water and Storm Loan	26,736	0	(1,528)	25,208	1,528
<i>Total OPWC Loans</i>	<u>234,948</u>	<u>0</u>	<u>(20,804)</u>	<u>214,144</u>	<u>20,804</u>
<b>OWDA Loans</b>					
Sewer	2,396,127	0	(320,465)	2,075,662	336,689
Lovers Lane Windmill Sewer	249,218	0	(3,311)	245,907	11,497
Kent/Ravenna Emergency Waterline	439,340	0	(5,727)	433,613	18,801
WWTP Expansion	12,491,302	0	(460,202)	12,031,100	477,701
<i>Total OWDA Loans</i>	<u>15,575,987</u>	<u>0</u>	<u>(789,705)</u>	<u>14,786,282</u>	<u>844,688</u>
Capital Leases	0	133,716	(28,448)	105,268	24,536
Compensated Absences	542,211	112,537	(166,617)	488,131	153,827
<i>Total Business Type Activities</i>	<u>\$17,694,751</u>	<u>\$248,351</u>	<u>(\$1,325,574)</u>	<u>\$16,617,528</u>	<u>\$1,373,855</u>
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Streetscape Bonds - 1993	\$530,000	\$0	(\$55,000)	\$475,000	\$55,000
Streetscape Bonds - 1994	100,595	0	(8,468)	92,127	8,468
Municipal Building Improvement	590,000	0	(25,000)	565,000	25,000
<i>Total General Obligation Bonds</i>	<u>1,220,595</u>	<u>0</u>	<u>(88,468)</u>	<u>1,132,127</u>	<u>88,468</u>
<b>Special Assessment Bonds with Governmental Commitments</b>					
Streetscape Bonds - 1994	374,404	0	(31,532)	342,872	35,473
<b>Library Bonds</b>					
Reed Memorial Library Bonds	5,190,000	0	(100,000)	5,090,000	100,000
Discount on Reed Memorial Library Bonds	(52,372)	1,940	0	(50,432)	0
<i>Total Library Bonds</i>	<u>5,137,628</u>	<u>1,940</u>	<u>(100,000)</u>	<u>5,039,568</u>	<u>100,000</u>
Fire Pension	104,264	0	(1,827)	102,437	1,906
Capital Leases	247,684	79,028	(46,006)	280,706	46,335
Compensated Absences	921,607	454,261	(353,295)	1,022,573	396,912
<i>Total Governmental Activities</i>	<u>\$8,006,182</u>	<u>\$535,229</u>	<u>(\$621,128)</u>	<u>\$7,920,283</u>	<u>\$669,094</u>
<i>Grand Total</i>	<u>\$25,700,933</u>	<u>\$783,580</u>	<u>(\$1,946,702)</u>	<u>\$24,537,811</u>	<u>\$2,042,949</u>

The waterworks mortgage revenue bond will be paid from user service charges in the water enterprise fund. Municipal income tax revenues collected and receipted in the water enterprise fund are available as a secondary source. OPWC loans will be paid from municipal income tax and water enterprise fund user service charges. OWDA loans will be paid from the water enterprise fund user service charges.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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On June 1, 1999, the City issued \$3,315,000 in Revenue Bonds with a discount of \$22,032 and interest rates varying from 3.50 percent to 4.35 percent. In 1999, the City defeased a 1987 Series revenue bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2006, \$1,030,000 of the defeased bonds are still outstanding. The 1999 revenue bonds include a discount. This year the additions include \$2,098, which represents the accretion of discounted interest remaining on the bonds.

Mortgage Revenue bonds of the City of Ravenna are obligations of the City secured by a mortgage upon all assets of the water system. These bonds are payable solely from gross revenues of the water system after provisions for operating and maintenance expenses. These bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers in sufficient amounts to satisfy the annual obligation under the indenture agreement. In addition, special provisions exist regarding covenant violations, redemptions of principal, payment of interest, establishing renewal and replacement accounts and maintenance of properties.

As of December 31, 2006 the Waterworks System Revenue Refunding Bonds have a redemption price of 1.01 percent. The restrictions that were placed upon these bonds by the indenture as of December 31, 2006, restricted the City's Water fund assets in the amount of \$610,639 for operation and maintenance. The bond indenture also requires 5 percent of sales, or \$275,000, to be set-aside for replacement and improvements.

General obligation bonds will be paid from the proceeds of municipal income tax. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

In 2003, the City issued bonds for the Reed Memorial Library in the amount of \$5,350,000 which mature December 31, 2033 and are paid with property tax money from the Reed Memorial Library. According to the Ohio Revised Code, the City is allowed to issue tax related debt for the Library. This debt is not included in the City's invested in capital assets, net of related debt since the capital assets do not belong to the City.

Compensated absences will be paid from the general fund, the street construction, maintenance and repair and recreation special revenue funds and the water and sewer enterprise funds.

The fire pension liability will be paid from the fire pension special revenue fund.

Capital leases will be paid from various revenues from the general fund, emergency medical services special revenue fund, the capital improvements capital projects fund and the water and sewer enterprise funds.

The City's overall legal debt margin was \$16,052,216 at December 31, 2006. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

Business-Type Activities

	Mortgage Revenue Bonds		OPWC	OWDA Loans	
	Principal	Interest	Loans	Principal	Interest
2007	\$330,000	\$44,140	\$20,804	\$844,688	\$573,830
2008	340,000	30,280	20,801	881,048	537,470
2009	360,000	15,660	20,801	919,006	499,513
2010	0	0	20,803	958,633	459,884
2011	0	0	20,803	1,000,004	418,515
2012 - 2016	0	0	84,388	3,515,765	1,613,411
2017 - 2021	0	0	23,456	3,980,388	930,631
2022 - 2024	0	0	2,288	2,686,750	169,172
<b>Total</b>	<b>\$1,030,000</b>	<b>\$90,080</b>	<b>\$214,144</b>	<b>\$14,786,282</b>	<b>\$5,202,426</b>

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		Library Bonds		Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	89,528	61,727	35,473	21,775	100,000	233,355	1,906	4,334
2008	94,526	56,500	35,473	19,522	100,000	231,355	1,987	4,252
2009	100,585	50,956	39,415	17,270	105,000	228,905	2,073	4,166
2010	105,585	44,846	39,415	14,767	105,000	226,017	2,162	4,077
2011	111,643	38,514	43,356	12,264	110,000	222,763	2,255	3,984
2012 - 2016	350,260	108,849	149,740	19,272	625,000	1,047,087	12,811	18,354
2017 - 2021	190,000	51,750	0	0	760,000	903,160	15,809	15,386
2022 - 2026	90,000	6,750	0	0	955,000	704,900	19,510	11,686
2027 - 2031	0	0	0	0	1,220,000	441,750	24,075	7,120
2032 - 2035	0	0	0	0	1,010,000	87,000	19,849	1,705
<b>Total</b>	<b>\$1,132,127</b>	<b>\$419,892</b>	<b>\$342,872</b>	<b>\$104,870</b>	<b>\$5,090,000</b>	<b>\$4,326,292</b>	<b>\$102,437</b>	<b>\$75,064</b>

**Note 14 – Note Payable**

The City's note activity, including amounts outstanding and interest rates, is as follows:

	Balance			Balance
	12/31/05	Additions	Reductions	12/31/06
4.00% Capital Improvements Fund	\$0	\$205,000	\$0	\$205,000

On December 7, 2006, the City issued \$205,000 of bond anticipation notes for the purpose of cemetery improvements. The notes are backed by the full faith and credit of the City and mature December 6, 2007. The note liability is reflected in the fund which received the proceeds and will repay the debt.



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

**Note 15 - Capital Leases**

During 2006, the City entered into a lease agreement for a copy machine and a sewer cleaner. The City also has existing leases for the acquisition of copy machines, a mailing system and a fire engine. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The governmental and business-type machinery and equipment and vehicles have been capitalized in the amount of \$444,394 and \$133,718, respectively, the present value of the minimum lease payments at the inception of the lease.

The assets acquired through capital leases are as follows:

<i>Asset:</i>	Governmental Activities	Business-type Activities
Machinery and Equipment	\$104,786	\$133,716
Vehicles	339,608	0
Historical Cost	444,394	133,716
Less: Accumulated Depreciation	(159,220)	(13,372)
Total Book Value as of December 31, 2006	<u>\$285,174</u>	<u>\$120,344</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities
2007	\$63,534	\$29,472
2008	63,533	29,472
2009	63,533	29,472
2010	62,157	29,472
2011	44,497	0
2012	43,301	0
Total Minimum Lease Payments	340,555	117,888
Less: Amount Representing Interest	(59,849)	(12,620)
Present Value of Minimum Lease	<u>\$280,706</u>	<u>\$105,268</u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the general fund, emergency medical services special revenue fund, the capital improvements capital projects fund and the water and sewer enterprise funds. These expenditures are reflected as program expenditures on a budgetary basis.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 16 - Defined Benefit Pension Plans**

***A. Ohio Public Employees Retirement System***

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$423,470, \$406,475 and \$428,399 respectively; 85.05 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$5,854 made by the City and \$3,846 made by the plan members.

***B. Ohio Police and Fire Pension Fund***

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$157,480 and \$175,379 for the year ended December 31, 2006, \$142,826 and \$157,007 for the year ended December 31, 2005 and \$150,183 and \$170,084 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 68.13 percent and 68.42 percent has been contributed for 2006.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2006, the unfunded liability of the City was \$102,437 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the Police and Fire Pension Fund are covered by Social Security. The City's liability is 6.2 percent of wages paid. The City has one council member contributing to social security.

**Note 17 - Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$207,132. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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***B. Police and Firemen's Disability and Pension Fund***

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$103,870 for police and \$83,643 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**Note 18 - Jointly Governed Organization**

***Metro Critical Response and Rescue Team (CRRT)*** The Metro Critical Response and Rescue Team is a multi-jurisdictional tactical unit consisting of member agencies within Summit County as well as selected out of county agencies. The CRRT is a team of specially trained police officers from participating political subdivisions which will respond to any incident where special weapons and tactics are needed within the member jurisdictions. Each agency has a departmental representative that collectively constitutes the "Board of Directors". As a representative from one department you are allotted one vote in the decision making process of CRRT matters. The CRRT Board of Directors is directed by an Executive Board consisting of a President, Vice-President and Secretary as elected annually from the members of the Board of Directors. The Board of Directors controls the budget and all financial concerns. In 2006, the City contributed \$4,014, which represents 5 percent of the total contribution.

**Note 19 - Joint Venture**

***Maple Grove Union Cemetery*** - The City participates in the Maple Grove Union Cemetery which is a statutorily created union cemetery, formed under chapter 759.27 of the Ohio Revised Code. The Cemetery's functions include the funding and operation of the cemetery which is located in both the City of Ravenna and the Township of Ravenna. It is governed by a three member board comprised of one member of the Township, one member of the City and one member voted on by the Board. The Board of Trustees approves its own budget, appoints personnel and oversees accounting and finance related activities. Each participant's control is limited to its membership representation. The continued existence of the Cemetery is dependent upon the City's continued participation, however, the City does not have an equity interest in the Cemetery. The Cemetery is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the City. The parties share in the costs of the operation of the

**City of Ravenna, Ohio**  
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*For the Year Ended December 31, 2006*

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cemetery based upon the prorated property valuations of each entity. The City's percentage for 2006 was 62.0 percent. During 2006, \$169,967 was paid by the City for operating expenses and capital outlay. Complete financial statements may be obtained from the Maple Grove Union Cemetery, Ravenna, Ohio.

**Note 20 – Related Organization**

***Reed Memorial Library*** The Reed Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ravenna Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purposes are discretionary decisions made solely by the Board of Trustees.

In 2003, the City of Ravenna issued general obligation bonds, in the amount of \$5,350,000, for Library improvements. The bonds will be paid with property tax money from the Reed Memorial Library and will mature in 2033. Although the City of Ravenna holds title to the land and building of the Library, these assets are not included in the capital assets listing of the City because it does not utilize, maintain or improve the Library for City operations. When the debt is completely paid off in 2033, title of the building will be transferred to the Library. Financial information can be obtained from the Reed Memorial Library, Janice Kent Clerk/Treasurer, 167 East Market Street, Ravenna, Ohio 44266.

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# Mary Taylor, CPA

Auditor of State

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

City of Ravenna  
Portage County  
210 Parkway  
Ravenna, Ohio 44266

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, (the City) as of and for the year ended December 31, 3006 which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: item number 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

We believe finding number 2006-001 as describe above is a material weaknesses.

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We also noted a certain internal control matter that we reported to the City's management in a separate letter dated March 3, 2008.

#### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated March 3, 2008.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion it.

We intend this report solely for the information and use of the audit committee, management and City Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 3, 2008



**CITY OF RAVENNA  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
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**Material Weakness:**

**REVOLVING LOAN FUND – LOANS RECEIVABLE**

The City maintains several revolving loan funds which account for Federal monies used to make low interest loans for development projects and home improvements granted to eligible City residents and businesses under Federal Grant programs. The activity from these transactions is recorded by the City within designated special revenue funds according to the individual loan purposes. The RLF loan program is administered by Neighborhood Development Services, Inc. (NDS).

NDS records all RLF loan activity within a computerized loan program manufactured by Dynamic Interface Systems, Inc. (DISC). The loan program is called "Loan Ledger". The cash receipts journal, the cash disbursement journal, and the general journal are all part of the Loan Ledger and are totaled at the end of the month. The totals are posted in a working trial balance maintained within Peachtree accounting software package for each RLF program. The RLF trial balances are then reconciled with the computerized Loan Program Status Report. The Peachtree trial balance is used to compile the City's total Loans Receivable balance of the RLF Major Fund on the City's annual Financial Report.

A comparison of the Peachtree trial balance, the Loan Ledger, and the RLF Major Fund as reported on the City's December 31, 2006 Financial Statements revealed the following discrepancies:

- 1) By reviewing NDS total loans receivables on the 12/31/06 Peachtree trial balance we found it did not agree to the total of the individual loan accounts in the Loan Ledger maintained by NDS. Various reasons for the differences were determined to include but are not limited to, the timing of the posting of individual loan activity, new issues and repayments and posting to the Peachtree trial balance.
- 2) The total new loans issued in 2006, per the City's detailed expenditure ledger, did not agree to the total new loans issued as recorded within the NDS Loan Ledger and Peachtree software for year ended December 31, 2006.
- 3) Duplicate loans were recorded on the Loan Ledger as of December 31, 2006. A total of \$197,422 was recorded twice on the Loan Ledger. This total includes a loan to NDS recorded for \$78,280. The money for this loan was not drawn by NDS as of December 31, 2006 and therefore the receivable should not be recorded. Appropriate adjustments have been made to ensure that these loans are not duplicated in Peachtree or on the City's December 31, 2006 Financial Statements.
- 4) Adjustments to the Loan Ledger were made in December 2006 to remove 5 of the duplicate loans mentioned above that had been reissued and already re-recorded in the Loan Ledger in 2004 or 2005. Four of these loans were correctly reflected as a credit entry (receipt) on the December monthly cash report, but one was not. It was determined that the one loan did not appear on the December monthly cash report because it was not adjusted until 1/4/07 and the year end was not closed out by NDS within the Loan Ledger until that date.

**CITY OF RAVENNA  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006**

**REVOLVING LOAN FUND – LOANS RECEIVABLE – (Continued)**

- 5) New loans were posted to the Loan Ledger and to Peachtree during 2006. However, the related expenditures for projects associated with these loans did not occur until 2007. These loans have been removed from the total loans receivable at December 31, 2006.
- 6) A loan for \$19,015 was posted to the Loan Ledger in 2006. However, only \$8,194.50 has been expended on the associated project. Also, this expenditure was made in 2005. An adjustment has been made to reduce the total loans receivable by the difference of \$10,820.50.
- 7) The majority of grant revenue and related expenditures are posted to City HUD fund 252. At year end, these revenues and expenditures are adjusted to the appropriate RLF fund and a year end journal entry is made during the GAAP conversion process to record the receivable. Several of the new loans recorded in 2006 were expended from this HUD fund in 2005 but no corresponding adjustment to the appropriate RLF fund was made in that year. Revenues and expenditures for several new loans in 2006 were also made from this HUD fund, but the year-end adjustment to the appropriate RLF fund was not made. An adjustment to correct these transactions in order to accurately reflect the receivable has been made.
- 8) Three new loans were recorded in the Loan Ledger in 2006 but were not recorded in Peachtree until January 2007. The related expenditures for two of these loans were made in 2005, and for the third loan the expenditure was made in 2003. Appropriate adjustments have been made.
- 9) One loan for \$100,000 was issued in 2002 but was not recorded in the Loan Ledger as of 12/31/06. This was listed by NDS as a reconciling item between the Loan Ledger and Peachtree at 12/31/06. An adjustment to the Loan Ledger has been made to reflect this loan.
- 10) There was an inter-fund loan receivable/payable recorded on the Peachtree trial balance of \$41,863.50. This was included in the total Loans Receivable for the City as of December 31, 2006. This amount should not be included in the total Loans Receivable on the City's annual financial statements. An adjustment has been made to remove this from the total loans receivable at December 31, 2006.
- 11) The total receipts and expenditures recorded on the Income Statement prepared by NDS using the Peachtree software did not agree to the total receipts and expenditures recorded in the RLF funds on the City's books. Variances were noted in the line items of bank interest, mortgage interest, and late fees. It appears that the differences were attributed to the timing of posting for year end transactions as well as NDS maintaining their records on an accrual basis and the City maintaining their records on a cash basis. The amounts recorded on the City's financial report are the actual receipts and disbursements recorded by the City in the applicable RLF funds and thus no adjustment is needed.
- 12) The total principal payments received in 2006 was \$134,097. However, the GAAP conversion used the incorrect amount consisting only of receipts and adjustments from the month of December 2006. An adjustment has been made to correct this.

We recommend the following:

All adjustments have been made to accurately reflect the total Loans Receivable of the City RLF Major Fund.

Procedures should be implemented to ensure that all loan activity is timely and accurately recorded by NDS. Procedures should also be implemented to ensure that all transactions agree between the Loan Ledger, Peachtree, and the City's revenue and expenditure ledgers.

**CITY OF RAVENNA  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006**

**REVOLVING LOAN FUND – LOANS RECEIVABLE – (Continued)**

This may be accomplished through, but not limited to, the following control procedures:

- 1) All new loans recorded in the Loan Ledger by NDS should be reconciled to the City's revenue and expenditure ledgers on a monthly basis. All new loans recorded in the Loan Ledger must have corresponding revenue(s) and expenditure(s) whereby the appropriate entry can be made to record the receivable in the proper RLF fund and within the proper year.
- 2) A detailed reconciliation should be prepared by NDS and provided to the City for loans that have been recorded in the Loan Ledger as a result of being properly executed and filed at the County Recorder's Office but where no associated expenditure has been made by the City in the same fiscal year.
- 3) All adjustments to the Loan Ledger should be reviewed and approved by the City. Detailed documentation for the adjustment should be provided and approval should be done prior to each adjustment and signed by the City Finance Director. This detailed documentation should be maintained by the City.

<b>OFFICIALS' RESPONSES</b>
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Upon review of the items cited in the Finding referenced above, the City Finance Director and Assistant Finance Director met with members of Neighborhood Development Services to establish a monthly process to assure all HUD and RLF Funds are reconciled and approved by the City in a timely manner.

The focus of our March 11, 2008 meeting centered on receivable recognition, with respect to both HUD and accounting definitions. Due to interest earnings considerations, it was decided to keep the HUD fund on the City books, rather than record revenues directly into the RLF Funds. This method also was preferred to keep the receipt of new grant monies consolidated under one fund. NDS will record the HUD receipts directly to the RLF Fund on their books and will then reconcile their books back to City's. This will hopefully facilitate the audit process by providing a receivable trail for loans booked by HUD requirements, but not yet dispersed.

We also reviewed the Peachtree / Loan Ledger software situation. It was agreed that the use of dual programs created a need for higher maintenance when it comes to loan accounts. Many of the inconsistencies and discrepancies cited in the finding was a by-product of this. NDS has committed to improving the mechanics of operating these two non-integrated systems. In cases where adjustments are needed, better detail and stronger narrative explanations will be provided.

Although a prescribed agenda has not yet been set, the City and NDS has agreed to meet at the conclusion of each month to walk through the reconciliation process. All City funds will be tied back to NDS records, with the emphasis on composition of fund balances, receivable activity, and subsidiary ledger review. At this point, any reconciling items and loan adjustments will be reviewed and approved by the city. The intent of the process is not only to oversee NDS accounting activity, but also to identify any information that is needed for Audit work papers.

The process described above is based on the recommendation section of the finding, as prescribed by the Auditor's Office. We have decided to implement this oversight function as a meeting at the NDS offices rather than by written correspondence. On site meetings at NDS will provide us to access to source documents and supplemental reports as we go through the review process. Our first meeting is scheduled for early May of this year to review April 2008 activity, as well as to map out the process we will use for our monthly meetings.

NDS has assured the City that the types of discrepancies listed in the finding will be remedied through tighter controls and closer attention to accounting detail. Through our monthly meetings, the City will now be able to better to monitor NDS' accounting of our HUD and RLF activity by participating hands-on in the reconciliation process.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF RAVENNA**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 22, 2008**