

City of Ravenna, Ohio
Basic Financial Statements
December 31, 2008



Mary Taylor, CPA
Auditor of State

Honorable Mayor and Members of Council
City of Ravenna
210 Park Way
Ravenna, Ohio 44266

We have reviewed the *Independent Auditors' Report* of the City of Ravenna, Portage County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2009

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City of Ravenna, Ohio

For The Year Ended December 31, 2008

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City of Ravenna, Ohio

For The Year Ended December 31, 2008

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Independent Auditors' Report

Honorable Mayor and
Members of Council
Ravenna, Ohio

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 City of Ravenna, Ohio (the "City"), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Revolving Loan Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and
Members of Council
Ravenna, Ohio

The Management's Discussion and Analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Parichi, Inc.

Cleveland, Ohio
June 29, 2009

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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, 2008. 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

- The Parks and Recreation department saw two major additions in 2008 with the completion of a Skate Park and Community Playground.

The Skate Park, constructed on an existing tennis court surface at City Park, provided a much needed venue for the City's growing skate population while also providing relief to the local businesses and commercial property owners whose parking lots often served as skate courses.

The Community Playground was a joint venture between the City and the Friends of the Park, a local not-for-profit green space organization. The concept was proposed by the Friends of the Park when a community survey revealed that Ravenna residents supported the construction of a safe, modern playground at a centralized location. Upon reviewing several sites, it was determined that the project fit well into the ongoing development of the City's Chestnut Hills Recreation facility, located just north of the City center. The playground was built exclusively with volunteer labor and was funded through a combination of fund raising by the Friends of the Parks and City Park Capital Improvement monies. The efforts of the Friends of the Park provided nearly fifty percent of the total construction cost of the park and enabled the City to now own a state-of-the-art facility. The success of the project is evidenced by the Playground's popularity extending beyond Ravenna, as it has now become a regional family destination point.

- The City's major infrastructure investment for 2008 was the West Main Street Widening Project, a one mile expansion and resurfacing of the City's main westbound transit route. At a cost of nearly \$600,000, the City procured an OPWC grant that provided 42 percent of the total funding. Prior to this year, it was 1953 when the City last looked to the State for funding assistance for West Main Street improvements. The long-overdue upgrades in accessibility and surfacing were welcomed by residents and local businesses alike.
- The most notable endeavor in the City's business-like activities was the purchase and installation of remote water meters in all residential, commercial, and industrial locations. With the new remotes replacing the labor intensive conventional meters, staffing costs were reduced by an amount that exceeded the annual debt service on the purchase of the new equipment. While the remote system will necessitate drive-by mobile data transmission, it does have upgradeable network capabilities that may some day allow the City to convert to fully automated feeds to stationary read units. In addition to the direct reduction in labor costs, the project is a major step in enhancing the timeliness and reliability of water fund's most critical data.

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.

City of Ravenna, Ohio
Management's Discussion and Analysis
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The Statement of Net Assets and the 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 2008?" 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 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 on 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, 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-

City of Ravenna, Ohio
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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 eighteen 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 and the revolving loan special revenue fund which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

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. The internal service fund is 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.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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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 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$17,551,085	\$18,257,521	\$9,460,137	\$9,642,424	\$27,011,222	\$27,899,945
Capital Assets, Net	42,117,014	42,994,804	34,373,279	35,483,419	76,490,293	78,478,223
Total Assets	59,668,099	61,252,325	43,833,416	45,125,843	103,501,515	106,378,168
Liabilities						
Current Liabilities	1,621,013	1,690,605	5,036,365	5,677,690	6,657,378	7,368,295
Long-Term Liabilities						
Due Within One Year	802,757	666,662	1,453,168	1,415,651	2,255,925	2,082,313
Due in More Than One Year	7,286,784	7,582,725	13,643,760	14,045,092	20,930,544	21,627,817
Total Liabilities	9,710,554	9,939,992	20,133,293	21,138,433	29,843,847	31,078,425
Net Assets						
Invested in Capital Assets, Net of Related Debt	39,983,161	40,675,199	19,743,428	20,540,889	59,726,589	61,216,088
Restricted for:						
Capital Projects	1,294,839	1,723,600	0	0	1,294,839	1,723,600
Debt Service	194,433	231,392	0	0	194,433	231,392
Revolving Loans	7,158,153	6,805,093	0	0	7,158,153	6,805,093
Street Construction, Maintenance and Repair	1,142,476	1,226,701	0	0	1,142,476	1,226,701
Emergency Medical Services	634,478	584,380	0	0	634,478	584,380
State Highway	59,725	52,574	0	0	59,725	52,574
Other Purposes	600,460	683,894	0	0	600,460	683,894
Replacement and Improvement	0	0	275,000	275,000	275,000	275,000
Operation and Maintenance	0	0	575,513	574,611	575,513	574,611
Unrestricted (Deficit)	(1,110,180)	(670,500)	3,106,182	2,596,910	1,996,002	1,926,410
Total Net Assets	\$49,957,545	\$51,312,333	\$23,700,123	\$23,987,410	\$73,657,668	\$75,299,743

For the City of Ravenna, total assets exceeded total liabilities by \$73,657,668 at the close of 2008. Of the total net assets, capital assets, net of related debt make up \$59,726,589 or 81.1 percent.

Total assets of the City decreased \$2,876,653 over 2007, with the most significant decrease seen in capital assets.

During the year, governmental net assets decreased \$1,354,788 and business-type activities net assets also decreased by \$287,287. The City of Ravenna reported a positive balance for combined total net assets.

City of Ravenna, Ohio
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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.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for Services and Sales	\$1,649,813	\$1,692,075	\$5,829,896	\$5,766,735	\$7,479,709	\$7,458,810
Operating Grants and Contributions	1,331,017	1,149,751	0	0	1,331,017	1,149,751
Capital Grants and Contributions	39,275	147,457	144,779	32,568	184,054	180,025
Total Program Revenues	3,020,105	2,989,283	5,974,675	5,799,303	8,994,780	8,788,586
General Revenues						
Property Taxes	682,259	754,990	0	0	682,259	754,990
Income Taxes	7,136,429	7,342,058	549,013	483,310	7,685,442	7,825,368
Grants and Entitlements	1,197,783	1,529,291	0	0	1,197,783	1,529,291
Payments In Lieu of Taxes	0	16,500	0	0	0	16,500
Investment Earnings	280,659	551,057	0	0	280,659	551,057
Gain on Sale of Capital Assets	5,392	48,326	0	0	5,392	48,326
Miscellaneous	82,069	63,897	115,574	84,656	197,643	148,553
Total General Revenues	9,384,591	10,306,119	664,587	567,966	10,049,178	10,874,085
Total Revenues	12,404,696	13,295,402	6,639,262	6,367,269	19,043,958	19,662,671
Program Expenses						
General Government	(1,667,880)	(2,747,059)	0	0	(1,667,880)	(2,747,059)
Security of Persons and Property:						
Police	(3,469,502)	(3,323,060)	0	0	(3,469,502)	(3,323,060)
Fire	(2,421,555)	(2,280,468)	0	0	(2,421,555)	(2,280,468)
Leisure Time Activities	(916,499)	(869,102)	0	0	(916,499)	(869,102)
Public Health and Welfare	(345,666)	(279,823)	0	0	(345,666)	(279,823)
Community Environment	(1,350,847)	(983,733)	0	0	(1,350,847)	(983,733)
Transportation	(2,231,967)	(2,015,248)	0	0	(2,231,967)	(2,015,248)
Basic Utility Services	(169,741)	(238,845)	0	0	(169,741)	(238,845)
Economic Development	(39,626)	(152,828)	0	0	(39,626)	(152,828)
Interest and Fiscal Charges	(332,380)	(350,951)	0	0	(332,380)	(350,951)
Water	0	0	(4,677,279)	(3,210,959)	(4,677,279)	(3,210,959)
Sewer	0	0	(3,063,091)	(3,052,369)	(3,063,091)	(3,052,369)
Total Program Expenses	(12,945,663)	(13,241,117)	(7,740,370)	(6,263,328)	(20,686,033)	(19,504,445)
Excess of Revenues						
Over (Under) Expenses	(540,967)	54,285	(1,101,108)	103,941	(1,642,075)	158,226
Transfers	(813,821)	(816,782)	813,821	816,782	0	0
Change in Net Assets	(1,354,788)	(762,497)	(287,287)	920,723	(1,642,075)	158,226
Net Assets Beginning of Year	51,312,333	52,074,830	23,987,410	23,066,687	75,299,743	75,141,517
Net Assets End of Year	\$49,957,545	\$51,312,333	\$23,700,123	\$23,987,410	\$73,657,668	\$75,299,743

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Governmental Activities

Several sources fund our governmental activities with the City income tax being the largest component, contributing \$7,136,429, or 57.5 percent of the \$12,404,696 total governmental revenue. The 2007 to 2008 decrease in income tax is attributable to the loss of over 125 local jobs as two major employers closed their doors in 2008. The City's income tax rate is 2.0 percent of gross income. Program revenues are the next most important source of revenue generating \$3,020,105 or 24.4 percent. All other revenues including property taxes, grants and entitlements, interest and other revenue accounted for \$2,248,162 or 18.1 percent of total governmental revenue.

Major expense activities continue to be:

Security of Persons and Property is the largest cost center, accounting for 45.5 percent of total governmental operating expenses.

Transportation remains the second largest cost component, at 17.2 percent of total governmental expenses.

Business-Type Activities

Business-type activities include the City's water and sewer operations. As noted in prior years, the City's ability to take on additional debt was enabled by the cooperative agreement with Portage County to share the cost of upgrading the Wastewater Treatment Plant Facility to handle additional capacity. As a result of this agreement, the City relies on the County for over \$500,000 in debt service participation annually.

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 2008, the City of Ravenna reported combined governmental fund balances of \$14,107,512. Of this amount, \$8,010,553 constitutes unreserved balances, which is available for spending. The remaining \$6,096,959 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 \$5,823,873 represent 95.5 percent of the reserve. The reserve for encumbrances accounted for 4.4 percent of the reserved fund balances.

Combined governmental funds had total revenues of \$12,757,263 and expenditures of \$12,319,469 leaving a difference of revenues over expenditures of \$437,794. This compares to the 2007 revenue-over-expenditure number of \$1,081,549. While 2008 and 2007 expenditures remained relatively the same, sharp declines in intergovernmental revenues, interest income, and income tax were the main factors that contributed to the shrinking margin.

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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. Further discussion on the projected outlook of the general fund can be found in the *Current Financial Related Activities* section below.

The original 2008 general fund revenues were budgeted at \$7,413,233 and final budgeted revenues were \$7,466,473. The difference between the general fund's original and final amended budget is due to increases in property taxes, income taxes, and fines and forfeitures revenue estimates offset by decreases in intergovernmental revenue estimates. Original appropriations in the general fund were budgeted at \$7,279,286 and final appropriations were \$7,564,733. The appropriation increase was comprised mostly of departmental requests for additional operating items throughout the year.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2008 balances of capital assets as compared to 2007.

(Table 3)
 Capital Assets at December 31
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$1,297,800	\$1,297,800	\$1,537,860	\$1,537,860	\$2,835,660	\$2,835,660
Buildings	2,295,762	2,379,407	4,642,940	4,783,744	6,938,702	7,163,151
Improvements other than Buildings	210,761	219,663	7,869,686	8,232,314	8,080,447	8,451,977
Furniture, Fixtures and Equipment	1,137,122	936,365	6,701,300	7,075,142	7,838,422	8,011,507
Vehicles	1,387,904	1,368,931	8,754	11,475	1,396,658	1,380,406
Infrastructure	35,787,665	36,792,638	13,612,739	13,842,884	49,400,404	50,635,522
Total Capital Assets	\$42,117,014	\$42,994,804	\$34,373,279	\$35,483,419	\$76,490,293	\$78,478,223

Total capital assets for governmental activities of the City of Ravenna were \$42,117,014, a decrease of \$877,790 from 2007. The decrease was due primarily to annual depreciation being taken on the assets.

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Capital assets for business-type activities were \$34,373,279 a decrease of \$1,110,140 from 2007. This decrease was due to annual depreciation. Additional information concerning the City's capital assets can be found in Note 14 to the basic financial statements.

Long-term Obligations

At December 31, 2008, the City of Ravenna had governmental long-term obligations of \$8,089,541 in bonds, fire pension, capital leases and compensated absences outstanding. The Library bonds account for \$4,843,447 or 59.9 percent of the total governmental activities. At December 31, 2008 the City had \$15,096,928 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.

(Table 4)
 Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$948,073	\$1,042,600	\$0	\$0	\$948,073	\$1,042,600
Special Assessment Bonds	271,924	307,398	0	0	271,924	307,398
Library Bonds	4,843,447	4,941,508	0	0	4,843,447	4,941,508
Mortgage Revenue Bonds	0	0	357,899	695,801	357,899	695,801
OPWC Loans	0	0	268,788	243,341	268,788	243,341
OWDA Loans	0	0	13,959,980	13,946,378	13,959,980	13,946,378
Fire Pension	98,544	100,531	0	0	98,544	100,531
Capital Leases	845,356	831,407	55,044	80,732	900,400	912,139
Compensated Absences	1,082,197	1,025,943	455,217	494,491	1,537,414	1,520,434
Total	\$8,089,541	\$8,249,387	\$15,096,928	\$15,460,743	\$23,186,469	\$23,710,130

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. In total, governmental long-term obligations, net of the library bond, are \$3,246,094.

Business-type debt includes a 1999 waterworks refunding issuance that is repaid with water fund revenues. OPWC loans outstanding for infrastructure improvement projects are also repaid using water revenues. Further discussion regarding the retirement of the revenue bonds, and the impending impact of a related income tax levy that is due to expire on December 31, 2009 can be found in the *Current Financial Related Activities* section below. The OWDA loans consist of 1993 and 2005 wastewater treatment plant loans. The 1993 loan is paid exclusively with sewer revenue, while the 2005 loan is paid for with a combination of sewer revenues, income tax receipts, and participation revenues from Portage County as noted above.

Additional information concerning debt issuances can be found in Note 15 to the basic financial statements.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Current Financial Related Activities

General Fund

In 2008 the City began to experience revenue trends that were similar to 2003, as the two major general fund revenue categories, income tax and interest income, finished well below 2007. Tax receipts felt the impact of significant job losses in the local economy that began in late 2007 and continued into 2008. The revenue loss was somewhat offset by the addition of several new businesses and any cost of living increases on existing local wages. The net result, however, was still a \$36,498 decline in cash income tax receipts for the year. The final impact of all job losses most likely will not be felt until 2009, as 2008 did capture some partial withholding dollars prior to the various businesses either closing or relocating. As in all entities, interest income took the biggest hit, as rates plummeted throughout the course of the year. 2008 earnings finished \$243,294 below 2007. The combination of income tax and interest income produced a \$279,787 negative swing in annual revenues on a cash basis.

As revenues traveled south, general fund departmental operating expenditures continued to travel north, particularly in the area of labor and related costs. Last year's commentary addressed the City's ongoing commitment of having Department Heads, Administrators, and members of the Budget Commission monitor fund activity for signs of changing financial conditions that would require budgetary modifications. By the end of 2008, the City is again in the position where departmental operations must be evaluated to achieve the goal of bringing annual costs in line with annual revenues.

Water Fund

Possibly the single most important initiative of 2008 was actually preparing for 2009, as an income tax levy that has provided capital and operational funding to the water fund for the past 30 years will expire on December 31, 2009. The City's position is that renewing the tax at the ballot would be preferable for residents, as it is anticipated that water rates will have to go up as much as 50 percent to produce the current revenue stream generated by the tax. In 2008, the tax produced over \$951,000 in receipts that are exclusive to the water system. Ravenna residents originally approved the tax back in 1979 when the City was faced with replacing an antiquated facility that was destroyed by fire. Upon the recommendation of bond counsel, the City opted to create a levy that not only would provide for the construction of a new facility, but would also fund expanded operations at the new plant and provide revenues for infrastructure upgrades as well. While the original debt on the construction will be paid off next year, the ability to maintain the revenue stream provided by the tax is critical to the Water system as a whole. In late 2008, City officials began formulating a plan to inform all Ravenna residents of the rates-vs.-tax option that would be before them on a May 2009 ballot issue. The City's message detailed the Water Plant's history, with emphasis on the fact that the plant is now 25 years old and is showing signs of needing an infusion of major capital dollars. As early as October of 2008, the Administration and Council began devoting a considerable amount of time and effort communicating this information to the voting public.

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 Parkway, Ravenna, Ohio 44266, 330-297-2152.

Basic Financial Statements

City of Ravenna, Ohio

Statement of Net Assets

December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,033,624	\$3,364,628	\$10,398,252
Cash and Cash Equivalents			
With Fiscal Agents	469	1,586	2,055
Investments with Fiscal Agents	0	420,979	420,979
Materials and Supplies Inventory	78,056	230,691	308,747
Accounts Receivable	684,647	556,743	1,241,390
Internal Balances	43,046	(43,046)	0
Intergovernmental Receivable	753,437	4,766,903	5,520,340
Prepaid Items	68,659	37,116	105,775
Income Taxes Receivable	1,465,430	112,677	1,578,107
Property Taxes Receivable	704,750	0	704,750
Deferred Charges	0	11,860	11,860
Special Assessments Receivable	247,997	0	247,997
Loans Receivable	6,470,970	0	6,470,970
Nondepreciable Capital Assets	1,297,800	1,537,860	2,835,660
Depreciable Capital Assets, Net	40,819,214	32,835,419	73,654,633
<i>Total Assets</i>	<u>59,668,099</u>	<u>43,833,416</u>	<u>103,501,515</u>
Liabilities			
Accounts Payable	79,403	62,870	142,273
Accrued Wages	270,021	106,086	376,107
Intergovernmental Payable	411,599	97,159	508,758
Matured Bonds Payable	469	0	469
Accrued Interest Payable	38,857	3,777	42,634
Claims Payable	122,727	0	122,727
Deferred Revenue	629,437	4,766,473	5,395,910
Notes Payable	68,500	0	68,500
Long-Term Liabilities:			
Due Within One Year	802,757	1,453,168	2,255,925
Due In More Than One Year	7,286,784	13,643,760	20,930,544
<i>Total Liabilities</i>	<u>9,710,554</u>	<u>20,133,293</u>	<u>29,843,847</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	39,983,161	19,743,428	59,726,589
Restricted for:			
Capital Projects	1,294,839	0	1,294,839
Debt Service	194,433	0	194,433
Revolving Loans	7,158,153	0	7,158,153
Street Construction, Maintenance and Repair	1,142,476	0	1,142,476
Emergency Medical Services	634,478	0	634,478
State Highway	59,725	0	59,725
Other Purposes	600,460	0	600,460
Replacement and Improvement	0	275,000	275,000
Operation and Maintenance	0	575,513	575,513
Unrestricted (Deficit)	(1,110,180)	3,106,182	1,996,002
<i>Total Net Assets</i>	<u>\$49,957,545</u>	<u>\$23,700,123</u>	<u>\$73,657,668</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$1,667,880	\$123,497	\$694	\$32,608
Security of Persons and Property:				
Police	3,469,502	261,299	35,807	0
Fire	2,421,555	545,653	137,839	0
Leisure Time Activities	916,499	420,815	7,326	6,667
Public Health and Welfare	345,666	23,297	140	0
Community Environment	1,350,847	265,398	178,338	0
Transportation	2,231,967	0	596,805	0
Basic Utility Services	169,741	9,624	58	0
Economic Development	39,626	230	374,010	0
Interest and Fiscal Charges	332,380	0	0	0
<i>Total Governmental Activities</i>	<u>12,945,663</u>	<u>1,649,813</u>	<u>1,331,017</u>	<u>39,275</u>
Business-Type Activities:				
Water	4,677,279	2,746,322	0	144,779
Sewer	3,063,091	3,083,574	0	0
<i>Total Business-Type Activities</i>	<u>7,740,370</u>	<u>5,829,896</u>	<u>0</u>	<u>144,779</u>
<i>Total</i>	<u>\$20,686,033</u>	<u>\$7,479,709</u>	<u>\$1,331,017</u>	<u>\$184,054</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
Grants and Entitlements not Restricted to Specific Programs
Interest
Gain on Sale of Capital Assets
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

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
(\$1,511,081)	\$0	(\$1,511,081)
(3,172,396)	0	(3,172,396)
(1,738,063)	0	(1,738,063)
(481,691)	0	(481,691)
(322,229)	0	(322,229)
(907,111)	0	(907,111)
(1,635,162)	0	(1,635,162)
(160,059)	0	(160,059)
334,614	0	334,614
(332,380)	0	(332,380)
<u>(9,925,558)</u>	<u>0</u>	<u>(9,925,558)</u>
0	(1,786,178)	(1,786,178)
<u>0</u>	<u>20,483</u>	<u>20,483</u>
<u>0</u>	<u>(1,765,695)</u>	<u>(1,765,695)</u>
<u>(9,925,558)</u>	<u>(1,765,695)</u>	<u>(11,691,253)</u>
682,259	0	682,259
5,108,771	0	5,108,771
565,160	0	565,160
384,463	0	384,463
307,570	0	307,570
770,465	0	770,465
0	549,013	549,013
1,197,783	0	1,197,783
280,659	0	280,659
5,392	0	5,392
82,069	115,574	197,643
<u>9,384,591</u>	<u>664,587</u>	<u>10,049,178</u>
<u>(813,821)</u>	<u>813,821</u>	<u>0</u>
<u>8,570,770</u>	<u>1,478,408</u>	<u>10,049,178</u>
(1,354,788)	(287,287)	(1,642,075)
<u>51,312,333</u>	<u>23,987,410</u>	<u>75,299,743</u>
<u>\$49,957,545</u>	<u>\$23,700,123</u>	<u>\$73,657,668</u>

City of Ravenna, Ohio

Balance Sheet

Governmental Funds

December 31, 2008

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,552,186	\$692,002	\$2,785,577	\$7,029,765
Cash and Cash Equivalents With Fiscal Agents	0	0	469	469
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	3,859	0	0	3,859
Materials and Supplies Inventory	25,826	0	52,230	78,056
Accounts Receivable	128,259	0	556,388	684,647
Interfund Receivable	56,861	0	0	56,861
Intergovernmental Receivable	369,691	0	383,746	753,437
Prepaid Items	49,304	0	19,355	68,659
Income Taxes Receivable	1,049,283	0	416,147	1,465,430
Property Taxes Receivable	704,750	0	0	704,750
Special Assessments Receivable	19,260	0	228,737	247,997
Loans Receivable	0	6,470,970	0	6,470,970
<i>Total Assets</i>	<u>\$5,959,279</u>	<u>\$7,162,972</u>	<u>\$4,442,649</u>	<u>\$17,564,900</u>
Liabilities				
Accounts Payable	\$21,327	\$4,819	\$53,257	\$79,403
Accrued Wages	216,596	0	53,425	270,021
Intergovernmental Payable	337,924	0	73,675	411,599
Interfund Payable	0	0	56,861	56,861
Matured Bonds Payable	0	0	469	469
Deferred Revenue	1,432,285	0	1,137,886	2,570,171
Accrued Interest Payable	0	0	364	364
Notes Payable	0	0	68,500	68,500
<i>Total Liabilities</i>	<u>2,008,132</u>	<u>4,819</u>	<u>1,444,437</u>	<u>3,457,388</u>
Fund Balances				
Reserved for Encumbrances	23,659	103,000	142,568	269,227
Reserved for Loans Receivable	0	5,823,873	0	5,823,873
Reserved for Unclaimed Monies	3,859	0	0	3,859
Unreserved, Undesignated, Reported in:				
General Fund	3,923,629	0	0	3,923,629
Special Revenue Funds	0	1,231,280	1,784,541	3,015,821
Capital Projects Funds	0	0	1,071,103	1,071,103
<i>Total Fund Balances</i>	<u>3,951,147</u>	<u>7,158,153</u>	<u>2,998,212</u>	<u>14,107,512</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,959,279</u>	<u>\$7,162,972</u>	<u>\$4,442,649</u>	<u>\$17,564,900</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, 2008*

Total Governmental Fund Balances \$14,107,512

*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. 42,117,014

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Property Taxes	\$75,313
Income Taxes	685,014
Intergovernmental	463,747
Charges for Services	468,663
Special Assessments	<u>247,997</u>

Total 1,940,734

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	(122,727)
Internal Balances	<u>43,046</u>

Total (79,681)

In the statement of activities, interest is accrued on outstanding
 bonds and leases, whereas in governmental funds, an interest
 expenditure is reported when due. (38,493)

Long-term liabilities are not due and payable in the current period
 and therefore are not reported in the funds:

General Obligation Bonds	(948,073)
Special Assessment Bonds	(271,924)
Library Bonds	(4,890,000)
Discount on Library Bonds	46,553
Fire Pension Payable	(98,544)
Capital Leases Payable	(845,356)
Compensated Absences	<u>(1,082,197)</u>

Total (8,089,541)

Net Assets of Governmental Activities \$49,957,545

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, 2008

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$663,443	\$0	\$0	\$663,443
Income Taxes	5,215,934	0	2,070,158	7,286,092
Intergovernmental	968,811	374,009	1,386,201	2,729,021
Interest	256,426	15,490	8,743	280,659
Fees, Licenses and Permits	452,472	0	120	452,592
Fines and Forfeitures	26,622	0	33,063	59,685
Rentals	8,702	0	29,292	37,994
Charges for Services	0	0	1,116,704	1,116,704
Contributions and Donations	2,950	0	6,974	9,924
Special Assessments	0	0	39,080	39,080
Other	27,899	0	54,170	82,069
<i>Total Revenues</i>	<u>7,623,259</u>	<u>389,499</u>	<u>4,744,505</u>	<u>12,757,263</u>
Expenditures				
Current:				
General Government	1,581,597	0	1,841	1,583,438
Security of Persons and Property:				
Police	3,085,964	0	111,818	3,197,782
Fire	1,347,349	0	865,702	2,213,051
Leisure Time Activities	0	0	835,796	835,796
Public Health and Welfare	316,414	0	0	316,414
Community Environment	293,118	0	479,753	772,871
Transportation	0	0	1,256,078	1,256,078
Basic Utility Services	133,648	0	0	133,648
Economic Development	3,187	36,439	0	39,626
Capital Outlay	0	0	1,291,779	1,291,779
Debt Service:				
Principal Retirement	45,563	0	302,351	347,914
Interest and Fiscal Charges	5,004	0	326,068	331,072
<i>Total Expenditures</i>	<u>6,811,844</u>	<u>36,439</u>	<u>5,471,186</u>	<u>12,319,469</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>811,415</u>	<u>353,060</u>	<u>(726,681)</u>	<u>437,794</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	20,600	0	0	20,600
Inception of Capital Lease	0	0	129,875	129,875
Transfers In	0	0	255,967	255,967
Transfers Out	(1,069,788)	0	0	(1,069,788)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,049,188)</u>	<u>0</u>	<u>385,842</u>	<u>(663,346)</u>
<i>Net Change in Fund Balances</i>	<u>(237,773)</u>	<u>353,060</u>	<u>(340,839)</u>	<u>(225,552)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,188,920</u>	<u>6,805,093</u>	<u>3,339,051</u>	<u>14,333,064</u>
<i>Fund Balances End of Year</i>	<u>\$3,951,147</u>	<u>\$7,158,153</u>	<u>\$2,998,212</u>	<u>\$14,107,512</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, 2008*

Net Change in Fund Balances - Total Governmental Funds	(\$225,552)
 <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	\$699,189
Depreciation	<u>(1,477,787)</u>
Total	(778,598)
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.	
	(99,192)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property Taxes	18,816
Income Taxes	(149,663)
Intergovernmental	(170,870)
Charges for Services	(20,628)
Special Assessments	<u>(35,614)</u>
Total	(357,959)
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.	
	347,914
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	631
Amortization of Discount	<u>(1,939)</u>
Total	(1,308)
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.	
	(56,254)
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.	
	(129,875)
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	(83,117)
Internal Balances	<u>29,153</u>
Total	<u>(53,964)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$1,354,788)</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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$660,030	\$700,765	\$663,443	(\$37,322)
Income Taxes	5,038,362	5,076,403	5,064,415	(11,988)
Intergovernmental	939,575	833,897	944,692	110,795
Interest	255,107	288,000	256,426	(31,574)
Fees, Licenses and Permits	455,372	478,229	457,727	(20,502)
Fines and Forfeitures	26,485	62,443	26,622	(35,821)
Rentals	8,657	7,000	8,702	1,702
Contributions and Donations	2,935	5,900	2,950	(2,950)
Other	26,710	13,836	8,048	(5,788)
<i>Total Revenues</i>	<u>7,413,233</u>	<u>7,466,473</u>	<u>7,433,025</u>	<u>(33,448)</u>
Expenditures				
Current:				
General Government	1,794,490	1,876,495	1,696,526	179,969
Security of Persons and Property:				
Police	3,274,328	3,335,733	3,060,464	275,269
Fire	1,408,996	1,498,868	1,323,835	175,033
Public Health and Welfare	338,242	336,612	316,291	20,321
Community Environment	310,074	362,566	289,664	72,902
Basic Utility Services	143,065	142,515	133,648	8,867
Economic Development	3,412	5,705	3,187	2,518
Debt Service:				
Principal Retirement	2,127	1,987	1,987	0
Interest and Fiscal Charges	4,552	4,252	4,252	0
<i>Total Expenditures</i>	<u>7,279,286</u>	<u>7,564,733</u>	<u>6,829,854</u>	<u>734,879</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>133,947</u>	<u>(98,260)</u>	<u>603,171</u>	<u>701,431</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	4,000	4,000	20,600	16,600
OPWC Loan Issued	50,000	50,000	50,000	0
Advances In	38,514	38,514	20,893	(17,621)
Advances Out	(87,095)	(87,095)	(67,040)	20,055
Transfers Out	(1,102,793)	(1,102,793)	(1,069,788)	33,005
<i>Total Other Financing Sources (Uses)</i>	<u>(1,097,374)</u>	<u>(1,097,374)</u>	<u>(1,045,335)</u>	<u>52,039</u>
<i>Net Change in Fund Balance</i>	<u>(963,427)</u>	<u>(1,195,634)</u>	<u>(442,164)</u>	<u>753,470</u>
<i>Fund Balance Beginning of Year</i>	3,886,169	3,886,169	3,886,169	0
Prior Year Encumbrances Appropriated	<u>132,323</u>	<u>132,323</u>	<u>132,323</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,055,065</u>	<u>\$2,822,858</u>	<u>\$3,576,328</u>	<u>\$753,470</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
Revolving Loan Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$99,742	\$220,545	\$111,866	(\$108,679)
Interest	24,243	33,900	15,490	(18,410)
Other	203,515	203,515	203,515	0
<i>Total Revenues</i>	<u>327,500</u>	<u>457,960</u>	<u>330,871</u>	<u>(127,089)</u>
Expenditures				
Current:				
Economic Development	<u>1,083,498</u>	<u>1,177,922</u>	<u>530,473</u>	<u>647,449</u>
<i>Net Change in Fund Balance</i>	(755,998)	(719,962)	(199,602)	520,360
<i>Fund Balance Beginning of Year</i>	<u>788,104</u>	<u>788,104</u>	<u>788,104</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$32,106</u></u>	<u><u>\$68,142</u></u>	<u><u>\$588,502</u></u>	<u><u>\$520,360</u></u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,293,629	\$1,282,611	\$2,576,240	\$0
Materials and Supplies Inventory	221,969	8,722	230,691	0
Accounts Receivable	261,431	295,312	556,743	0
Intergovernmental Receivable	430	4,766,473	4,766,903	0
Prepaid Items	22,736	14,380	37,116	0
Income Taxes Receivable	112,677	0	112,677	0
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	342,523	0	342,523	0
<i>Total Current Assets</i>	<u>2,255,395</u>	<u>6,367,498</u>	<u>8,622,893</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	445,865	0	445,865	0
Investments with Fiscal Agents	420,979	0	420,979	0
Cash and Cash Equivalents with Fiscal Agents	1,586	0	1,586	0
Deferred Charges	11,860	0	11,860	0
Nondepreciable Capital Assets	1,255,400	282,460	1,537,860	0
Depreciable Capital Assets, Net	17,892,141	14,943,278	32,835,419	0
<i>Total Noncurrent Assets</i>	<u>20,027,831</u>	<u>15,225,738</u>	<u>35,253,569</u>	<u>0</u>
<i>Total Assets</i>	<u>\$22,283,226</u>	<u>\$21,593,236</u>	<u>\$43,876,462</u>	<u>\$0</u>

(continued)

City of Ravenna, Ohio
Statement of Fund Net Assets
Proprietary Funds (continued)
December 31, 2008

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	\$53,921	\$8,949	\$62,870	\$0
Accrued Wages	58,507	47,579	106,086	0
Intergovernmental Payable	55,434	41,725	97,159	0
Compensated Absences Payable	57,576	65,992	123,568	0
Capital Leases Payable	13,446	13,446	26,892	0
Deferred Revenue	0	4,766,473	4,766,473	0
OPWC Loans Payable	25,803	0	25,803	0
OWDA Loans Payable	20,212	898,794	919,006	0
Claims Payable	0	0	0	122,727
Payable from Restricted Assets:				
Mortgage Revenue Bonds Payable	357,899	0	357,899	0
Accrued Interest Payable	2,541	1,236	3,777	0
<i>Total Current Liabilities</i>	<u>645,339</u>	<u>5,844,194</u>	<u>6,489,533</u>	<u>122,727</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	162,441	169,208	331,649	0
Capital Leases Payable	14,076	14,076	28,152	0
OPWC Loans Payable	242,985	0	242,985	0
OWDA Loans Payable	1,269,756	11,771,218	13,040,974	0
<i>Total Long-Term Liabilities</i>	<u>1,689,258</u>	<u>11,954,502</u>	<u>13,643,760</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,334,597</u>	<u>17,798,696</u>	<u>20,133,293</u>	<u>122,727</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	17,215,224	2,528,204	19,743,428	0
Restricted for:				
Replacement and Improvement	275,000	0	275,000	0
Operation and Maintenance	575,513	0	575,513	0
Unrestricted (Deficit)	1,882,892	1,266,336	3,149,228	(122,727)
<i>Total Net Assets (Deficit)</i>	<u>\$19,948,629</u>	<u>\$3,794,540</u>	23,743,169	<u>(\$122,727)</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:			<u>(43,046)</u>	
Net assets of business-type activities			<u>\$23,700,123</u>	

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, 2008*

	<u>Business-Type Activities - Enterprise</u>			Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Operating Revenues				
Charges for Services	\$2,731,877	\$3,011,261	\$5,743,138	\$1,544,374
Tap-In Fees	5,236	71,000	76,236	0
Fees, Licenses and Permits	8,505	0	8,505	0
Special Assessments	704	1,313	2,017	0
Other	63,304	52,270	115,574	0
<i>Total Operating Revenues</i>	<u>2,809,626</u>	<u>3,135,844</u>	<u>5,945,470</u>	<u>1,544,374</u>
Operating Expenses				
Personal Services	1,710,968	1,349,914	3,060,882	0
Materials and Supplies	2,025,151	248,130	2,273,281	0
Contractual Services	353,174	359,755	712,929	378,420
Depreciation	553,547	566,285	1,119,832	0
Claims	0	0	0	1,249,071
<i>Total Operating Expenses</i>	<u>4,642,840</u>	<u>2,524,084</u>	<u>7,166,924</u>	<u>1,627,491</u>
<i>Operating Income (Loss)</i>	<u>(1,833,214)</u>	<u>611,760</u>	<u>(1,221,454)</u>	<u>(83,117)</u>
Non-Operating Revenues (Expenses)				
Capital Grants	144,779	0	144,779	0
Municipal Income Taxes	549,013	0	549,013	0
Interest and Fiscal Charges	(18,644)	(525,633)	(544,277)	0
Loss on Sale of Capital Assets	(16)	0	(16)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>675,132</u>	<u>(525,633)</u>	<u>149,499</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>(1,158,082)</u>	<u>86,127</u>	<u>(1,071,955)</u>	<u>(83,117)</u>
Transfers In	400,741	413,080	813,821	0
<i>Change in Net Assets</i>	<u>(757,341)</u>	<u>499,207</u>	<u>(258,134)</u>	<u>(83,117)</u>
<i>Net Assets (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>20,705,970</u>	<u>3,295,333</u>		<u>(39,610)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$19,948,629</u>	<u>\$3,794,540</u>		<u>(\$122,727)</u>
Some amounts reported for business-type activities in the statement of activities are different because a portion of the net expense of the internal service fund is reported with business-type activities.			<u>(29,153)</u>	
Change in net assets of business-type activities			<u>(\$287,287)</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, 2008

	Business-Type Activities - Enterprise			Governmental
	Water	Sewer	Total	Activities - Internal Service
Increase in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,737,134	\$2,992,176	\$5,729,310	\$0
Cash Received from Interfund Services Provided	0	0	0	1,544,374
Tap In Fees	5,236	71,000	76,236	0
Special Assessments	704	1,313	2,017	0
Other Operating Revenues	63,274	52,270	115,544	0
Cash Payments to Suppliers for Materials and Supplies	(2,076,919)	(245,040)	(2,321,959)	0
Cash Payments for Employee Services and Benefits	(1,730,178)	(1,354,935)	(3,085,113)	0
Cash Payments for Contractual Services	(368,008)	(371,802)	(739,810)	0
Cash Payments for Goods and Services	0	0	0	(378,420)
Cash Payments for Claims	0	0	0	(1,165,954)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(1,368,757)</u>	<u>1,144,982</u>	<u>(223,775)</u>	<u>0</u>
Cash Flows from Noncapital Financing Activities				
Financing Activities				
Municipal Income Taxes	544,250	0	544,250	0
Transfers In	400,741	413,080	813,821	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>944,991</u>	<u>413,080</u>	<u>1,358,071</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(9,708)	0	(9,708)	0
Capital Grants	144,533	0	144,533	0
Proceeds from OPWC Loans	50,000	0	50,000	0
Proceeds from OWDA Loans	894,650	0	894,650	0
Principal Paid on Revenue Bonds	(340,000)	0	(340,000)	0
Principal Paid on OWDA Loans	(19,494)	(861,554)	(881,048)	0
Principal Paid on OPWC Loans	(24,553)	0	(24,553)	0
Principal Paid on Capital Leases	(12,844)	(12,844)	(25,688)	0
Interest Paid on Revenue Bonds	(20,422)	0	(20,422)	0
Interest Paid on OWDA Loans	(1,171)	(522,505)	(523,676)	0
Interest Paid on Capital Leases	(1,892)	(1,892)	(3,784)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>659,099</u>	<u>(1,398,795)</u>	<u>(739,696)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	235,333	159,267	394,600	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,848,270</u>	<u>1,123,344</u>	<u>2,971,614</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,083,603</u>	<u>\$1,282,611</u>	<u>\$3,366,214</u>	<u>\$0</u>

(continued)

City of Ravenna, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2008

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	(\$1,833,214)	\$611,760	(\$1,221,454)	(\$83,117)
Adjustments:				
Depreciation	553,547	566,285	1,119,832	0
(Increase) Decrease in Assets:				
Accounts Receivable	(3,094)	61,170	58,076	0
Intergovernmental Receivable	(184)	0	(184)	0
Materials and Supplies Inventory	(59,191)	2,561	(56,630)	0
Prepaid Items	3,298	7,886	11,184	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(10,709)	(19,404)	(30,113)	0
Accrued Wages	11,281	9,328	20,609	0
Compensated Absences Payable	(27,015)	(12,259)	(39,274)	0
Intergovernmental Payable	(3,476)	(82,345)	(85,821)	0
Claims Payable	0	0	0	83,117
<i>Total Adjustments</i>	<u>464,457</u>	<u>533,222</u>	<u>997,679</u>	<u>83,117</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$1,368,757)</u></u>	<u><u>\$1,144,982</u></u>	<u><u>(\$223,775)</u></u>	<u><u>\$0</u></u>

Noncash Capital Financing Activities

Fair market value of investments increased from the beginning of the year to the end of the year by \$18,819.
Amortization of the discount on refunding bonds in the amount of \$2,098.

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$36,945</u>
Liabilities	
Deposits Held and Due to Others	<u>\$36,945</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008

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 fund is 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

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 charter of the City of Ravenna and/or 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.

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 Fund 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, petty cash and parking meters.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 sixty 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, 2008

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, 2008, but which were levied to finance 2009 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."

During the year, the City's investments were limited to United States Treasury Notes, which are reported at fair value, a repurchase agreement reported at cost 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, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$256,426 which includes \$164,297 assigned from other City funds.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008, 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. Issuance costs are generally paid from bond and note proceeds.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies. Restricted assets in the water enterprise fund were placed by a bond indenture agreement and represent money set aside for the waterworks system operation and maintenance and equipment replacement and improvement.

J. 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

All capital assets are depreciated except for land. 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:

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.

K. 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.

L. 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. 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

M. 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.

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.

N. 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, loans receivable (revolving loan monies loaned to local businesses) and unclaimed monies. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

O. 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 \$11,935,077, 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.

P. 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.

Q. 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

R. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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.

S. 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.

T. 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.

U. 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.

V. 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 and personal service and other object level for all 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

Note 3 – Change in Accounting Principle and Restatement of Net Assets

A. Change in Accounting Principle

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the City’s financial statements.

A. Restatement of Net Assets

The City’s water and sewer fund capital assets were understated at December 31, 2007. These restatements had the following effect on net assets as they were previously reported.

	Water	Sewer	Total Business-Type Activities
Net Assets December 31, 2007	\$20,329,725	\$3,288,186	\$23,617,911
Understatement of Capital Assets	376,245	7,147	383,392
Restated Net Assets December 31, 2007	\$20,705,970	\$3,295,333	24,001,303
Internal Balance			(13,893)
Adjusted Net Assets, December 31, 2007			\$23,987,410

Note 4 – Accountability

The deficit in the SAFE grants special revenue fund of \$2,760 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 \$122,727 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
For the Year Ended December 31, 2008

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 the major special revenue fund. 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 fund.

Net Change in Fund Balances

	General	Revolving Loan
GAAP Basis	(\$237,773)	\$353,060
Movement of OPWC Proceeds	50,000	0
Net Adjustment for		
Revenue Accruals	(190,234)	(117,256)
Advances In	20,893	0
Loan Payments Received	0	58,628
Net Adjustment for		
Expenditure Accruals	11,707	(14,343)
Advances Out	(67,040)	0
Loans Issued	0	(376,191)
Encumbrances	(29,717)	(103,500)
Budget Basis	(\$442,164)	(\$199,602)

Note 6 - Deposits and Investments

The City is a charter City and has adopted an investment policy through City Ordinance. The City has elected to follow the provisions of State statute. State statutes classify monies held by the City into these categories.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Active monies are public monies 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 bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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;
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);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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;

City of Ravenna, Ohio
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For the Year Ended December 31, 2008

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, 2008, the City had the following investments:

	Fair Value	Maturity
United States Treasury Notes	\$420,979	May 31, 2009
Repurchase Agreements		
Federal Home Loan Mortgage Note	960,000	January 1, 2009
STAROhio	9,548,475	Average - 55 Days
Total	\$10,929,454	

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 Federal Home Loan Mortgage Note 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.

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 requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Concentration of Credit Risk The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2008:

Investment	Percentage of Investments
United States Treasury Notes	3.85 %
Repurchase Agreements	
Federal Home Loan Mortgage Note	8.78
STAROhio	87.37
Total	100.00 %

Note 7 - Receivables

Receivables at December 31, 2008 consisted primarily of municipal income taxes, property taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are not expected to be significant. All receivables except property taxes, loans, and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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 \$5,823,873.

Special assessments expected to be collected in more than one year amount to \$184,445 in the special assessment bond retirement fund. At December 31, 2008 the amount of delinquent special assessments was \$19,260.

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 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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.

City of Ravenna, Ohio
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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. 2008 public utility property taxes become a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments 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 full tax rate for all City operations for the year ended December 31, 2008, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$136,323,380
Other Real Estate	61,092,600
Tangible Personal Property	
Public Utility	4,817,470
General	15,407,404
Total Assessed Values	\$217,640,854

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, 2008 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 2008 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, 66.49 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, 1.92 percent to park improvement and 8.10 percent to capital improvements capital projects fund and 7.14 percent to the water enterprise funds.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

C. Intergovernmental

A summary of governmental activities intergovernmental receivables as of December 31, 2008, follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Government	\$296,244
Gasoline and Excise Tax	132,126
Cents per Gallon Tax	64,050
Emergency Medical Services Grant	60,014
Permissive Tax	54,576
Motor Vehicle License Tax	35,472
Homestead and Rollback	35,447
SAFE Grants	34,706
Estate Tax	28,220
Liquor and Beer Permits	3,601
Recreation Grant	2,541
Ohio Attorney General	2,360
Rootstown Township	2,200
Portage County Municipal Court	1,280
Portage County Auditor	600
Total	<u><u>\$753,437</u></u>

The Business-type activities intergovernmental receivables as of December 31, consists of the following:

<u>Business-type Activities</u>	<u>Amounts</u>
Portage County	\$4,739,178
Windmill Enterprises	27,295
City of Kent	246
US Army Corps of Engineers	184
Total	<u><u>\$4,766,903</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 County is responsible for 17.16 percent of the total loan commitment. The total amount owed to the City as of December 31, 2008 is \$73,453. The City owns and maintains the asset. The County is paying for the use of the asset. 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 County is responsible for 50 percent of the total loan commitment. The total amount owed to the City as of December 31, 2008 is \$4,665,725. The City owns and maintains the asset. The County is paying for the use of the asset. 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
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For the Year Ended December 31, 2008

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, 2008 is \$27,295. 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.

Note 8 – Interfund Transactions

A. Interfund Balances

Interfund balances at December 31, 2008, consist of an interfund receivable in the general fund for \$56,861 and interfund payables of \$2,760 in the SAFE grant special revenue fund and \$54,101 in the emergency medical service special revenue fund.

The balance in the SAFE grant special revenue fund resulted from advances made from the general fund during 2008. 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.

The balance in the emergency medical service special revenue fund resulted from advances made from the general fund during 2008. These advances were made to cover qualifying expenditures in the fund which will be reimbursed in the following year.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers To	Transfers From General
<i>Major Funds:</i>	
Water	\$400,741
Sewer	413,080
Nonmajor Governmental Funds	255,967
Total	\$1,069,788

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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 2008, the City contracted with two companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
Fireman's Fund	Umbrella Liability	\$5,000,000
	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
	Commercial Property	40,389,110
Zurich North American Surety	Bonds - Employees and Officials	100,000

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 pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

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 \$122,727 reported in the internal service fund at December 31, 2008, 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 2007 and 2008 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$111,936	\$1,056,435	\$1,128,761	\$39,610
2008	39,610	1,249,071	1,165,954	122,727

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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008.

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.

Note 12 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, 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 pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

City of Ravenna, Ohio
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For the Year Ended December 31, 2008

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 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, 2008, 2007, and 2006 were \$334,926, \$382,225, and \$423,470 respectively; 88.61 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$6,415 made by the City and \$4,582 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$192,899 and \$205,401 for the year ended December 31, 2008, \$182,907 and \$193,543 for the year ended December 31, 2007, and \$157,480 and \$175,379 for the year ended December 31, 2006. 68.73 percent has been contributed for police and 67.66 percent has been contributed for firefighters for 2008. The full amount has been contributed for 2007 and 2006.

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, 2008, the unfunded liability of the City was \$98,544 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

Note 13 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

City of Ravenna, Ohio
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For the Year Ended December 31, 2008

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which 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.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$334,926, \$251,765 and \$207,132 respectively; 88.61 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

City of Ravenna, Ohio
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OP&F provides access to post-retirement health care coverage for 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.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$102,123 and \$80,374 for the year ended December 31, 2008, \$96,833 and \$75,734 for the year ended December 31, 2007, and \$103,870 and \$83,643 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 68.73 percent has been contributed for police and 67.66 percent has been contributed for firefighters for 2008.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
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Note 14 - Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 12/31/07	Additions	Reductions	Balance 12/31/08
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,297,800	\$0	\$0	\$1,297,800
Capital assets being depreciated				
Buildings	4,878,744	0	0	4,878,744
Improvements other than Buildings	523,382	0	0	523,382
Furniture, Fixtures and Equipment	2,176,658	441,160	(270,827)	2,346,991
Vehicles	3,085,489	258,029	(145,118)	3,198,400
Infrastructure:				
Streets	43,223,959	0	0	43,223,959
Storm Drains	4,695,087	0	0	4,695,087
Sidewalks	8,683,603	0	0	8,683,603
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	610,800	0	0	610,800
Total capital assets being depreciated	69,413,322	699,189	(415,945)	69,696,566
Accumulated depreciation				
Buildings	(2,499,337)	(83,645)	0	(2,582,982)
Improvements other than Buildings	(303,719)	(8,902)	0	(312,621)
Furniture, Fixtures and Equipment	(1,240,293)	(173,028)	203,452	(1,209,869)
Vehicles	(1,716,558)	(207,239)	113,301	(1,810,496)
Infrastructure:				
Streets	(16,131,999)	(713,309)	0	(16,845,308)
Storm Drains	(2,337,746)	(36,093)	0	(2,373,839)
Sidewalks	(2,606,865)	(217,685)	0	(2,824,550)
Fire Hydrants	(573,684)	(20,530)	0	(594,214)
Traffic Lights	(306,117)	(17,356)	0	(323,473)
Total accumulated depreciation	(27,716,318)	(1,477,787) *	316,753	(28,877,352)
Capital assets being depreciated, net	41,697,004	(778,598)	(99,192)	40,819,214
Governmental activities capital assets, net	\$42,994,804	(\$778,598)	(\$99,192)	\$42,117,014

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Restated Balance 12/31/07	Additions	Reductions	Balance 12/31/08
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,537,860	\$0	\$0	\$1,537,860
Capital assets being depreciated				
Buildings	7,750,724	0	0	7,750,724
Improvements other than Buildings	14,533,215	0	0	14,533,215
Furniture, Fixtures and Equipment	8,139,570	0	(272)	8,139,298
Vehicles	82,342	9,708	0	92,050
Infrastructure:				
Water Lines	15,851,674	0	0	15,851,674
Sewer Lines	6,532,228	0	0	6,532,228
Total capital assets being depreciated	52,889,753	9,708	(272)	52,899,189
Accumulated depreciation				
Buildings	(2,966,980)	(140,804)	0	(3,107,784)
Improvements other than Buildings	(6,300,901)	(362,628)	0	(6,663,529)
Furniture, Fixtures and Equipment	(1,064,428)	(373,826)	256	(1,437,998)
Vehicles	(70,867)	(12,429)	0	(83,296)
Infrastructure:				
Water Lines	(5,783,675)	(167,566)	0	(5,951,241)
Sewer Lines	(2,757,343)	(62,579)	0	(2,819,922)
Total accumulated depreciation	(18,944,194)	(1,119,832)	256	(20,063,770)
Capital assets being depreciated, net	33,945,559	(1,110,124)	(16)	32,835,419
Business-type activities capital assets, net	\$35,483,419	(\$1,110,124)	(\$16)	\$34,373,279

* Depreciation expense was charged to governmental activities as follows:

General Government	\$28,900
Security of Persons and Property:	
Police	106,857
Fire	92,026
Leisure Time Activities	73,226
Public Health and Welfare	20,530
Community Environment	261,143
Transportation	859,012
Basic Utility Services	36,093
Total	<u>\$1,477,787</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 15 - 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
Business-Type Activities			
<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
Chestnut and Washington Water and Storm Sewers - 2007	0.00%	50,000	2027
West Main Street Waterline Replacement - 2008	0.00%	50,000	2028
<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
Water Meters (not finalized)	3.40%	1,054,143	N/A
Governmental Activities			
<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
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For the Year Ended December 31, 2008

	Outstanding 12/31/07	Additions	(Reductions)	Outstanding 12/31/08	Amounts Due in One Year
Business Type Activities					
Mortgage Revenue Bonds					
Waterworks System Revenue Refunding Bonds	\$700,000	\$0	(\$340,000)	\$360,000	\$360,000
Discount on Refunding Bonds	(4,199)	2,098	0	(2,101)	(2,101)
<i>Total Mortgage Revenue Bonds</i>	<u>695,801</u>	<u>2,098</u>	<u>(340,000)</u>	<u>357,899</u>	<u>357,899</u>
OPWC Loans					
Cotton Corners Waterline	39,260	0	(5,609)	33,651	5,609
Lakewood Road Waterline	67,331	0	(8,416)	58,915	8,416
Hayes Road Waterline	39,785	0	(3,460)	36,325	3,460
Highland Avenue Reconstruction	23,285	0	(1,791)	21,494	1,791
Lake Avenue Water and Storm Loan	23,680	0	(1,527)	22,153	1,527
Chestnut and Washington Water and Storm Sewers	50,000	0	(2,500)	47,500	2,500
West Main Street Waterline Replacement	0	50,000	(1,250)	48,750	2,500
<i>Total OPWC Loans</i>	<u>243,341</u>	<u>50,000</u>	<u>(24,553)</u>	<u>268,788</u>	<u>25,803</u>
OWDA Loans					
Sewer	1,738,973	0	(353,733)	1,385,240	371,641
Lovers Lane Windmill Sewer	239,194	0	(11,955)	227,239	12,432
Kent/Ravenna Emergency Waterline	414,812	0	(19,494)	395,318	20,212
WWTP Expansion	11,553,399	0	(495,866)	11,057,533	514,721
Water Meters	0	894,650	0	894,650	0
<i>Total OWDA Loans</i>	<u>13,946,378</u>	<u>894,650</u>	<u>(881,048)</u>	<u>13,959,980</u>	<u>919,006</u>
Capital Leases	80,732	0	(25,688)	55,044	26,892
Compensated Absences	494,491	106,338	(145,612)	455,217	123,568
<i>Total Business Type Activities</i>	<u>\$15,460,743</u>	<u>\$1,053,086</u>	<u>(\$1,416,901)</u>	<u>\$15,096,928</u>	<u>\$1,453,168</u>
Governmental Activities					
General Obligation Bonds					
Streetscape Bonds - 1993	\$420,000	\$0	(\$60,000)	\$360,000	\$65,000
Streetscape Bonds - 1994	82,600	0	(9,527)	73,073	10,585
Municipal Building Improvement	540,000	0	(25,000)	515,000	25,000
<i>Total General Obligation Bonds</i>	<u>1,042,600</u>	<u>0</u>	<u>(94,527)</u>	<u>948,073</u>	<u>100,585</u>
Special Assessment Bonds with Governmental Commitments					
Streetscape Bonds - 1994	307,398	0	(35,474)	271,924	39,415
Library Bonds					
Reed Memorial Library Bonds	4,990,000	0	(100,000)	4,890,000	105,000
Discount on Reed Memorial Library Bonds	(48,492)	1,939	0	(46,553)	0
<i>Total Library Bonds</i>	<u>4,941,508</u>	<u>1,939</u>	<u>(100,000)</u>	<u>4,843,447</u>	<u>105,000</u>
Fire Pension	100,531	0	(1,987)	98,544	2,073
Capital Leases	831,407	129,875	(115,926)	845,356	114,640
Compensated Absences	1,025,943	403,084	(346,830)	1,082,197	441,044
<i>Total Governmental Activities</i>	<u>\$8,249,387</u>	<u>\$534,898</u>	<u>(\$694,744)</u>	<u>\$8,089,541</u>	<u>\$802,757</u>

City of Ravenna, Ohio
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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 are pledged for payment from municipal income tax and water enterprise fund user service charges. OWDA loans are pledged for payment from the water and sewer enterprise fund user service charges.

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, 2008, \$360,000 of the defeased bonds is 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, 2008 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, 2008, restricted the City's Water fund assets in the amount of \$575,513 for operation and maintenance. The bond indenture also requires 5 percent of sales, or \$275,000, to be set-aside for replacement and improvements.

The City has pledged future revenues, net of operating expenses in the water fund. The debt is payable solely from net revenues and are payable through 2009. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2008, the City had a deficit net revenue amount. The total principal and interest remaining to be paid on the bonds is \$375,660. Principal and interest paid for the current year and total net revenues were \$360,422 and (\$730,654) respectively.

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 general fund.

City of Ravenna, Ohio
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Capital leases will be paid from various revenues from the general fund, the capital improvements capital projects fund and the water and sewer enterprise funds.

The City has entered into a contractual agreement for a water loan from OWDA in the amount of \$894,650 for the Water Meter Replacement project. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loans. Since the loan has not been finalized, a repayment schedule is not included in the schedule of debt service requirements.

The City's overall legal debt margin was \$16,847,173 at December 31, 2008. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008 are as follows:

Business-Type Activities

	Mortgage Revenue Bonds		OPWC	OWDA Loans	
	Principal	Interest	Loans Principal	Principal	Interest
2009	\$360,000	\$15,660	\$25,803	\$919,006	\$499,513
2010	0	0	25,803	958,633	459,884
2011	0	0	25,803	1,000,004	418,515
2012	0	0	25,803	825,128	375,233
2013	0	0	25,804	635,486	346,718
2014 - 2018	0	0	81,335	3,558,794	1,352,224
2019 - 2023	0	0	37,187	4,267,353	622,070
2024 - 2028	0	0	21,250	900,926	16,969
Total	\$360,000	\$15,660	\$268,788	\$13,065,330	\$4,091,126

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		Library Bonds		Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	117,738	31,707	47,262	9,511	115,000	218,747	2,351	3,888
2013	123,761	24,518	51,239	6,507	120,000	214,550	2,452	3,757
2014 - 2018	178,761	78,874	51,237	3,254	675,000	994,870	13,936	17,260
2019 - 2023	210,000	32,250	0	0	830,000	831,480	17,197	13,998
2024 - 2028	0	0	0	0	1,050,000	607,500	21,221	9,974
2029 - 2033	0	0	0	0	1,780,000	316,750	26,188	5,008
2034 - 2035	0	0	0	0	0	0	8,709	367
Total	\$948,073	\$301,665	\$271,924	\$63,573	\$4,890,000	\$3,861,582	\$98,544	\$66,479

City of Ravenna, Ohio
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For the Year Ended December 31, 2008

Note 16 – Note Payable

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

	Balance 12/31/07	Additions	Reductions	Balance 12/31/08
3.80% Capital Improvements Fund	\$138,200	\$68,500	\$138,200	\$68,500

On November 10, 2008, the City issued \$68,500 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 November 10, 2009. The note liability is reflected in the fund which received the proceeds and will repay the debt.

Note 17 - Capital Leases

During 2008, the City entered into a lease agreement for an ambulance for the fire department. The City also has existing leases for the acquisition of three copy machines, a mailing system, a sewer cleaner, a garage for the street department 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 \$1,188,427 and \$133,715, 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	\$118,944	\$133,715
Buildings	600,000	0
Vehicles	469,483	0
Historical Cost	1,188,427	133,715
Less: Accumulated Depreciation	(288,818)	(40,114)
Total Book Value as of December 31, 2008	\$899,609	\$93,601

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:

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Year Ending December 31,	Governmental Activities	Business-type Activities
2009	\$130,448	\$29,472
2010	129,071	29,472
2011	123,412	0
2012	120,092	0
2013	48,000	0
2014-2017	333,000	0
Total Minimum Lease Payments	884,023	58,944
Less: Amount Representing Interest	(38,667)	(3,900)
Present Value of Minimum Lease	<u>\$845,356</u>	<u>\$55,044</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.

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 2008, the City contributed \$3,665, 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 cemetery based upon the prorated property valuations of each entity. The City’s percentage for 2008 was 62.0 percent. During 2008, \$169,295 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 levy 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.

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and
Members of City Council
Ravenna, Ohio

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, Ohio (the “City”) as of and for the year ended December 31, 2008, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 29, 2009, wherein we noted the City adopted *Governmental Accounting Standards Board Statement No. 49*, as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting: 2008-1.

Honorable Mayor and
Members of the City Council
Ravenna, Ohio

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider finding number 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated June 29, 2009.

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

This report is intended solely for the information and use of the City Council, Finance Committee, Management, others within the entity, the Auditor of States' Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Paricki, Inc.

Cleveland, Ohio
June 29, 2009

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Honorable Mayor and
Members of City Council
Ravenna, Ohio

Compliance

We have audited the compliance of the City of Ravenna (the “City”), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Honorable Mayor and
Members of City Council
Ravenna, Ohio

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 as of and for the year ended December 31, 2008, and have issued our report there on dated June 29, 2009, wherein we noted the City implemented GASB Statement No. 49, as disclosed in Note 3. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the City's basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, Finance Committee, Management, others within the entity, the Auditor of States' Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cleveland, Ohio
June 29, 2009

City of Ravenna

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Receipts</u>	<u>Disbursements</u>
U.S. Department of Housing and Urban Development:				
Passed-Through Ohio Department of Development:				
Small Communities Development Block Grant (CDBG) Formula Program	14.228	A-C-07-168-1	\$ 58,000	\$ 47,681
Community Housing Improvement Program (HOME)	14.239	A-C-06-168-1	<u>120,211</u>	<u>283,315</u>
Total Passed-Through U.S. Department of Housing and Urban Development			<u>178,211</u>	<u>330,996</u>
U.S. Department of Justice:				
Office of Community Oriented Policing Services				
Bureau of Justice Assistance:				
Secure our Schools 2006	16.710	2006CKWX0627	<u>69,169</u>	<u>67,120</u>
Total U.S. Department of Justice			<u>69,169</u>	<u>67,120</u>
National Highway Traffic Safety Administration:				
Passed-Through Ohio Department of Public Safety:				
Safe Communities 07-08	20.600	SC-2008-67-00-00-00398-00	29,307	23,815
Safe Communities 08-09	20.600	SC-2008-67-00-00-00398-00	<u>-</u>	<u>2,761</u>
Total Passed-Through National Highway Traffic Safety Administration			<u>29,307</u>	<u>26,576</u>
Department of Health and Human Services:				
Passed-Through Ohio Department of Aging:				
Area Agency on Aging FY 2006	93.044		<u>3,975</u>	<u>1,452</u>
Total Passed-Through National Highway Traffic Safety Administration			<u>3,975</u>	<u>1,452</u>
Department of Homeland Security - FEMA:				
Assistance to Firefighters Grant – 2007	97.044	EMW-2007-FO-11652	<u>78,611</u>	<u>83,525</u>
Total Department of Homeland Security – FEMA			<u>78,611</u>	<u>83,525</u>
Total Federal Awards Receipts and Expenditures			\$ <u>359,273</u>	\$ <u>509,669</u>

The accompanying notes are an integral part of this schedule

City of Ravenna

Notes to the Schedule of Expenditures of Federal Awards

December 31, 2008

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CFDA – Catalog of Federal Domestic Assistance

City of Ravenna

Schedule Of Findings
OMB Circular A-133 Section .505

December 31, 2008

1. Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Was there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1) (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Community Housing Improvement Program (HOME)- CFDA # 14.239
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

2008-1 – Significant Deficiency / Material Weakness

Sound financial reporting is the responsibility of the City Auditor and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustments were made to the financial statements:

1. Restatement of Net Assets at December 31, 2007 for prior year understatement of business-type capital assets.
2. Adjusted accounts payable to actual at 12/31/08.
3. Adjusted intergovernmental payable to actual at 12/31/08.

City of Ravenna

Schedule Of Findings (continued)
OMB Circular A-133 Section .505

December 31, 2008

2008-1 – Significant Deficiency/Material Weakness (continued)

The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

We recommend the City adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end. Although the City has contracted a third party to perform their GAAP Conversion, the City's management needs to review the statements to be sure that all items are being properly recorded.

3. Findings For Federal Awards

None.

City of Ravenna

Schedule of Prior Year Findings

December 31, 2008

Finding No.	Finding Summary	Fully Corrected	Explanation
2007-1	<p>Significant Deficiency/Material Weakness</p> <p>The following audit adjustments were made to the financial statements: Restatement of Net Assets at December 31, 2006 for prior year overstatement of intergovernmental receivables, understatement of governmental capital assets and overstatement of water and sewer fund capital assets.</p> <p>Adjusted accounts payable to actual.</p> <p>Adjusted loans receivable and related revenue and expenditure accounts to actual.</p>	No	The City had a material weakness in this area again in the year 2008.

City of Ravenna

210 Park Way
Ravenna, Ohio 44266
(330) 297-2152

Response to Findings Associated With
Audit Conducted In Accordance With
Government Auditing Standards
For The Year Ended December 31, 2008

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
2008-1	Management will create and implement written policies and procedures relating to the financial reporting process.	N/A	Kimble Cecora, Finance Director



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
AUGUST 13, 2009