



Dave Yost • Auditor of State



**CITY OF RAVENNA  
PORTAGE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ravenna, Portage County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ravenna, Portage County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Emergency Medical Services, and Revolving Loan funds 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, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

June 12, 2012

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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The discussion and analysis of the City of Ravenna's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. 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***

- For 2011, the City's focus was on maintaining, and adding to, the long-term budget reduction strategy that was put in place in 2008. The ability to keep the City-wide wage freeze intact, coupled with prior year changes in healthcare coverage for non-union employees, were the key components to keeping spending in check for 2011.
- With the 2011 general fund operating deficit projected to be in excess of \$800,000, the City had roughly enough cash reserve to withstand two years of spending at this pace. The narrative at the end of this discussion and analysis details the general fund savings captured in 2011 that enabled the City to maintain an ending balance sufficient to carry operations through 2013.

***Using this Annual Financial Report***

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

The Statement of Net Assets and 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 2011?" 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.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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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-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*.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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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 and emergency medical services special revenue funds 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.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are agency funds.

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

***The City as a Whole***

As noted earlier, the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2011 compared to 2010.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

**Table 1**  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$16,423,609	\$15,852,272	\$11,080,160	\$10,746,851	\$27,503,769	\$26,599,123
Capital Assets, Net	38,723,733	39,924,339	31,230,123	32,318,981	69,953,856	72,243,320
<b>Total Assets</b>	<b>55,147,342</b>	<b>55,776,611</b>	<b>42,310,283</b>	<b>43,065,832</b>	<b>97,457,625</b>	<b>98,842,443</b>
<b>Liabilities</b>						
Current Liabilities	1,214,500	1,338,328	4,966,067	5,313,156	6,180,567	6,651,484
Long-Term Liabilities						
Due Within One Year	727,053	612,900	1,299,675	1,471,723	2,026,728	2,084,623
Due in More Than One Year	6,082,028	6,434,707	12,714,686	13,886,306	18,796,714	20,321,013
<b>Total Liabilities</b>	<b>8,023,581</b>	<b>8,385,935</b>	<b>18,980,428</b>	<b>20,671,185</b>	<b>27,004,009</b>	<b>29,057,120</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	37,315,186	38,382,954	17,496,575	17,272,885	54,811,761	55,655,839
Restricted for:						
Debt Service	111,453	152,467	0	0	111,453	152,467
Other Purposes	8,656,360	8,313,466	0	0	8,656,360	8,313,466
Unrestricted (Deficit)	1,040,762	541,789	5,833,280	5,121,762	6,874,042	5,663,551
<b>Total Net Assets</b>	<b>\$47,123,761</b>	<b>\$47,390,676</b>	<b>\$23,329,855</b>	<b>\$22,394,647</b>	<b>\$70,453,616</b>	<b>\$69,785,323</b>

By comparing assets and liabilities, one can see the overall position of the City has increased as evidenced by the increase in net assets. This is primarily due to a decrease in liabilities, as debt payments were made during the year. Management continues to diligently plan expenses, maintaining excellent levels of service within the constraints of the budget.

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 current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2011 and 2010.

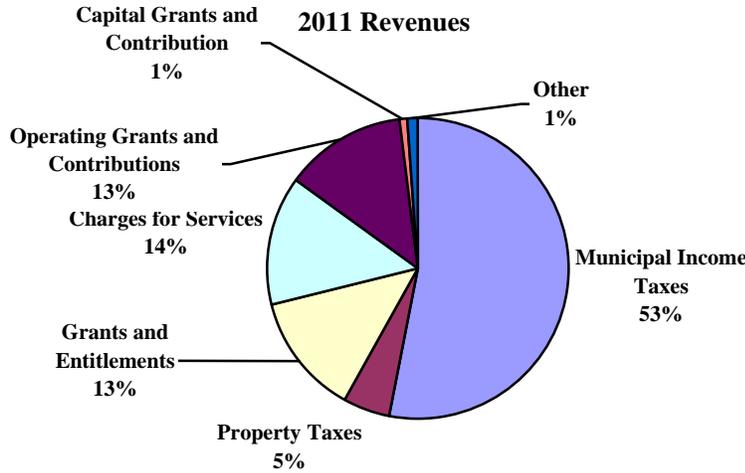
**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

**Table 2**  
*Change in Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues						
Charges for Services and Assessments	\$1,766,250	\$1,686,196	\$5,151,868	\$5,819,726	\$6,918,118	\$7,505,922
Operating Grants and Contributions	1,559,611	1,165,183	0	0	1,559,611	1,165,183
Capital Grants and Contributions	64,125	430,557	743,364	215,852	807,489	646,409
Total Program Revenues	3,389,986	3,281,936	5,895,232	6,035,578	9,285,218	9,317,514
General Revenues						
Property Taxes	615,421	622,372	0	0	615,421	622,372
Income Taxes	6,397,807	6,404,627	913,898	913,105	7,311,705	7,317,732
Grants and Entitlements	1,584,365	1,315,129	0	0	1,584,365	1,315,129
Gain on Sale of Capital Assets	0	11,000	0	0	0	11,000
Unrestricted Contributions	5,000	12,158	0	0	5,000	12,158
Investment Earnings	97,528	115,287	0	0	97,528	115,287
Other	66,357	74,792	133,325	105,784	199,682	180,576
Total General Revenues	8,766,478	8,555,365	1,047,223	1,018,889	9,813,701	9,574,254
<i>Total Revenues</i>	<i>12,156,464</i>	<i>11,837,301</i>	<i>6,942,455</i>	<i>7,054,467</i>	<i>19,098,919</i>	<i>18,891,768</i>
<b>Program Expenses</b>						
General Government	(1,740,438)	(1,801,926)	0	0	(1,740,438)	(1,801,926)
Security of Persons and Property:						
Police	(3,170,793)	(3,714,456)	0	0	(3,170,793)	(3,714,456)
Fire	(2,066,235)	(2,191,613)	0	0	(2,066,235)	(2,191,613)
Leisure Time Activities	(818,685)	(802,681)	0	0	(818,685)	(802,681)
Public Health and Welfare	(254,365)	(296,549)	0	0	(254,365)	(296,549)
Community Environment	(1,357,455)	(1,139,136)	0	0	(1,357,455)	(1,139,136)
Transportation	(2,212,865)	(1,943,106)	0	0	(2,212,865)	(1,943,106)
Basic Utility Services	(35,994)	(35,994)	0	0	(35,994)	(35,994)
Economic Development	(71,953)	(49,777)	0	0	(71,953)	(49,777)
Interest and Fiscal Charges	(288,567)	(304,014)	0	0	(288,567)	(304,014)
Water	0	0	(4,031,450)	(3,572,067)	(4,031,450)	(3,572,067)
Sewer	0	0	(2,381,826)	(2,434,380)	(2,381,826)	(2,434,380)
Total Program Expenses	(12,017,350)	(12,279,252)	(6,413,276)	(6,006,447)	(18,430,626)	(18,285,699)
Excess of Revenues						
Over (Under) Expenses	139,114	(441,951)	529,179	1,048,020	668,293	606,069
Transfers	(406,029)	(406,441)	406,029	406,441	0	0
Change in Net Assets	(266,915)	(848,392)	935,208	1,454,461	668,293	606,069
Net Assets Beginning of Year	47,390,676	48,239,068	22,394,647	20,940,186	69,785,323	69,179,254
Net Assets End of Year	\$47,123,761	\$47,390,676	\$23,329,855	\$22,394,647	\$70,453,616	\$69,785,323

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

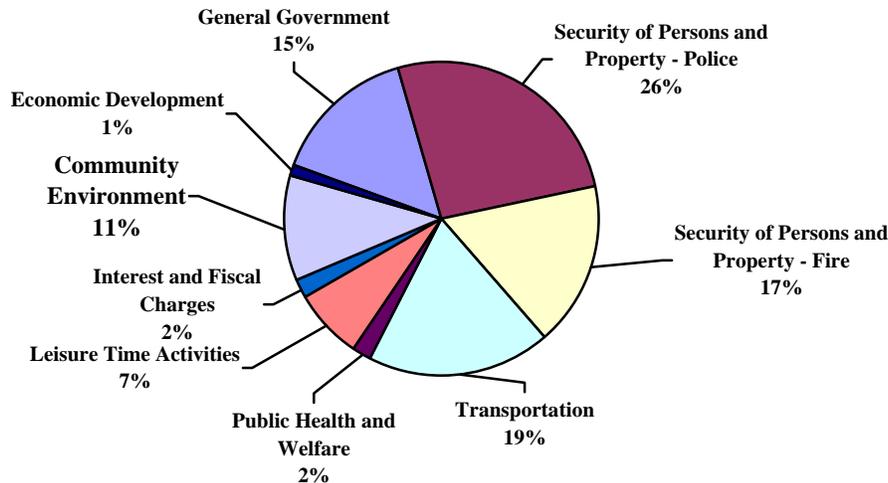
**Governmental Activities**



Several sources fund our governmental activities with the City income tax being the largest component. An income tax of 2 percent is levied on all income earned within the City. Stagnant employment numbers in the local market continue to be the primary driver with regard to income tax revenues. As was the case the past three years, annual tax receipts showed no appreciable signs of growth, however the forecasted revenues for 2011 held up throughout the year.

Program revenues, including charges for services and assessments, operating grants and contributions, and capital grants and contributions make up the second largest revenue source within the City. Charges for services increased slightly in 2011, primarily due to an increase in recreation department fees and memberships. Operating grants and contributions increased in 2011 due to increased accessibility to safety-related grant funding that was available to the City. The City continues to maintain a policy of actively pursuing all forms of grants available to them. Investment income for 2011 was below 2010 income, as investments were expanded and further diversified in 2010 to include instruments with longer maturities and higher yields, however, in 2011 interest rates were quite low.

**2011 Expenses**



**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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Major expense activities continue to be:

Security of persons and property (Police and Fire) is the City's largest cost center, accounting for almost half (43 percent) of all Governmental Activity expenses. Within the general fund, safety forces accounted for 69 percent of total expenditures. Whether from a governmental activity or general fund perspective, it is worth noting that the City-wide wage freeze was crucial to the City's ability to achieve these numbers at a time when non-payroll expenditure cuts have been all but maximized.

Transportation remains the second largest cost component of all governmental expenses. As in the case with the safety forces, the wage freeze played a significant role in the Street Department, as labor costs constitute the single largest cost center to the department.

***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 18 and is accounted for using the modified accrual basis of accounting.

At the end of 2011, the City of Ravenna reported combined governmental fund balances of \$13,291,892. Of this amount, \$1,649,120 constitutes unassigned balances, which is available for any purpose. The majority of the remaining fund balance is further constrained by internal or external constraints and is restricted, committed, or assigned for a specific purpose. A small portion of the fund balance is considered nonspendable.

Combined governmental funds had total revenues of \$11,940,122 and expenditures of \$11,202,313 leaving a difference of expenditures over revenues of \$737,809. This compares favorably to the 2010 revenue-over-expenditure number of \$39,720.

***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.

**City of Ravenna, Ohio**  
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The original 2011 general fund revenues were budgeted at \$6,370,483 and final budgeted revenues were \$6,414,587. The actual revenue received was slightly more than the final estimate. Final appropriations increased over original appropriations mostly due to departmental requests for additional operating items throughout the year. Actual expenditures were much lower than the final appropriations due to conservative budgeting for the year.

***Capital Assets and Debt Administration***

*Capital Assets*

Table 3 shows 2011 balances of capital assets as compared to 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$1,507,466	\$1,431,400	\$1,565,260	\$1,565,260	\$3,072,726	\$2,996,660
Buildings	2,059,797	2,139,272	4,220,966	4,362,144	6,280,763	6,501,416
Improvements other than Buildings	224,957	179,309	6,786,783	7,151,803	7,011,740	7,331,112
Furniture, Fixtures and Equipment	1,094,614	1,258,357	5,711,579	6,053,505	6,806,193	7,311,862
Vehicles	946,988	1,123,743	19,800	31,200	966,788	1,154,943
Infrastructure	32,889,911	33,792,258	12,925,735	13,155,069	45,815,646	46,947,327
Total Capital Assets	<u>\$38,723,733</u>	<u>\$39,924,339</u>	<u>\$31,230,123</u>	<u>\$32,318,981</u>	<u>\$69,953,856</u>	<u>\$72,243,320</u>

Total capital assets for governmental and business-type activities of the City of Ravenna decreased from 2010 due primarily to annual depreciation being taken on the assets. Additional information concerning the City's capital assets can be found in Note 10 to the basic financial statements.

*Long-term Obligations*

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$630,260	\$741,903	\$0	\$0	\$630,260	\$741,903
Special Assessment Bonds	149,737	193,094	0	0	149,737	193,094
Library Bonds	4,529,267	4,637,327	0	0	4,529,267	4,637,327
Mortgage Revenue Bonds	0	0	0	0	0	0
OPWC Loans	0	0	288,397	255,115	288,397	255,115
OWDA Loans	0	0	13,417,802	14,790,981	13,417,802	14,790,981
Fire Pension	0	0	0	0	0	0
Capital Leases	628,550	606,388	27,349	0	655,899	606,388
Compensated Absences	871,267	868,895	280,813	311,933	1,152,080	1,180,828
Total	<u>\$6,809,081</u>	<u>\$7,047,607</u>	<u>\$14,014,361</u>	<u>\$15,358,029</u>	<u>\$20,823,442</u>	<u>\$22,405,636</u>

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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At December 31, 2011, the City of Ravenna had governmental long-term obligations of \$6,809,084 in bonds, capital leases and compensated absences outstanding. The Library bonds account for \$4,529,267 or 66.5 percent of the total governmental activities. At December 31, 2011 the City had \$14,014,361 outstanding in long-term business-type obligations, which include OPWC loans, OWDA loans, capital leases and compensated absences. Table 4 summarizes the City's long-term obligations outstanding.

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 \$2,279,817.

Business-type debt includes OPWC loans outstanding for infrastructure improvement projects which are repaid using water revenues. 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 17 to the basic financial statements.

### **Current Financial Related Activities**

#### **Water and Sewer Funds**

As was the case with the governmental funds, the City's proprietary funds also underwent a thorough budgetary overhaul. The intent was to shut down cost growth on the operating side and provide management a greater window to react to revenue fluctuations. And, as noted throughout this report, the bulk of the operational savings achieved was a direct result of the City-wide wage freeze that kept labor costs constant.

Another goal of the expenditure reductions was to provide the water and sewer funds with some much needed capital funding. As noted in the 2010 Management Discussion and Analysis, the cost cutting measures provided funding for management to create a long-term Capital Replacement and Improvement Plan.

#### **General Fund**

The City of Ravenna began the 2011 year with a projected general fund annual operating deficit of \$827,012 based on revenues of \$6,335,426 versus expenditures of \$7,162,438. As was the case the past three years, revenue stagnation prompted yet another round of budget cuts and adjustments in an attempt to reduce the impact of the net operating loss on a rapidly depleting general fund balance. 2011 began the year with \$1.7 million dollars in general fund reserve, and if deficit spending was to continue at a pace of better than \$800,000 per year, this balance would be spent down in its entirety in two years.

As the year progressed, operational changes were made in the areas of personnel and budgetary spending. This coupled with a slight uptick in income tax revenues began to chip away at the operating deficit. The most significant reduction in expenses was in the area of group healthcare costs. Medical claims paid for the year came in 40 percent less than the 2011 budgeted amount. As noted in the past, the City's healthcare plan is structured as a partially self-funded plan; meaning the annual baseline budget for healthcare is the City's maximum liability exposure. The net effect of the above revenue increases and cost reductions was to help reduce the 2011 operating deficit to \$272,111 versus the \$827,012 projected. This in turn produced a year end general fund balance of \$1.7 million.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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**Street and Parks and Recreation Funds**

The street and parks and recreation funds also stayed the course with regard to the budgetary changes implemented in 2010. In street, staffing changes made the previous year were maintained in an effort to preserve the fund balance moving forward. With the relative health of the street fund being predicated on income tax receipts, the street department was able to maintain its operating margin by keeping costs historically proportionate with revenues.

The parks and recreation department also adjusted operations to line up with flat-line income tax receipts. While nearly half of parks and recreation annual revenue is provided by taxes, the other half is a function of program registration fees and Athletic Center memberships sold as a retail product. The volatility in these fee-based revenue categories during difficult economic times has challenged the department to manage its budget on an almost daily basis. For 2011, the parks and recreation fund was able to operate at a modest surplus and at the same time continue to provide a consistent and quality product for both taxpayers and Athletic Center customers alike.

**Summary**

Looking to 2012, the uphill battle will continue as the incremental loss of State-provided Local Government Funds over the next two years will create yet another revenue hole that must be filled.

It has been noted throughout this report, and bears repeating, that the City's ability to hold steady on labor costs is the key to containing operating expenses. And well beyond the cost of wages and pensions, 2011 served to again illustrate the impact that healthcare costs have as a component of total labor costs.

Like most public entities, the City of Ravenna has now arrived at the point of evaluating all of the services it offers to determine where, and if, additional cost reductions can be made. With another round of pending revenue reductions in the pipeline, it is safe to say that another round of budget cuts is in the offing as well.

**Contacting the City's Finance Department**

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

**City of Ravenna, Ohio**

*Statement of Net Assets*

*December 31, 2011*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,960,121	\$5,382,272	\$10,342,393
Cash and Cash Equivalents			
With Fiscal Agents	469	0	469
Materials and Supplies Inventory	135,161	102,046	237,207
Accrued Interest Receivable	1,002	0	1,002
Accounts Receivable	707,007	540,000	1,247,007
Internal Balances	21,192	(21,192)	0
Intergovernmental Receivable	1,347,291	4,867,244	6,214,535
Prepaid Items	60,477	34,093	94,570
Income Taxes Receivable	1,229,878	175,697	1,405,575
Property Taxes Receivable	730,990	0	730,990
Special Assessments Receivable	166,785	0	166,785
Loans Receivable	7,063,236	0	7,063,236
Nondepreciable Capital Assets	1,507,466	1,565,260	3,072,726
Depreciable Capital Assets, Net	<u>37,216,267</u>	<u>29,664,863</u>	<u>66,881,130</u>
<i>Total Assets</i>	<u>55,147,342</u>	<u>42,310,283</u>	<u>97,457,625</u>
<b>Liabilities</b>			
Accounts Payable	95,537	54,793	150,330
Accrued Wages	85,936	35,256	121,192
Intergovernmental Payable	169,275	59,952	229,227
Matured Compensated Absences Payable	25,482	0	25,482
Matured Bonds Payable	469	0	469
Accrued Interest Payable	26,473	0	26,473
Claims Payable	60,419	0	60,419
Deferred Revenue	580,909	4,816,066	5,396,975
Notes Payable	170,000	0	170,000
Long-Term Liabilities:			
Due Within One Year	727,053	1,299,675	2,026,728
Due In More Than One Year	<u>6,082,028</u>	<u>12,714,686</u>	<u>18,796,714</u>
<i>Total Liabilities</i>	<u>8,023,581</u>	<u>18,980,428</u>	<u>27,004,009</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	37,315,186	17,496,575	54,811,761
Restricted for:			
Debt Service	111,453	0	111,453
Other Purposes	8,656,360	0	8,656,360
Unrestricted	<u>1,040,762</u>	<u>5,833,280</u>	<u>6,874,042</u>
<i>Total Net Assets</i>	<u>\$47,123,761</u>	<u>\$23,329,855</u>	<u>\$70,453,616</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$1,740,438	\$183,307	\$0	\$62,458
Security of Persons and Property:				
Police	3,170,793	234,738	36,791	0
Fire	2,066,235	597,750	5,500	0
Leisure Time Activities	818,685	413,527	2,375	1,667
Public Health and Welfare	254,365	18,999	0	0
Community Environment	1,357,455	250,062	944,005	0
Transportation	2,212,865	67,867	570,940	0
Basic Utility Services	35,994	0	0	0
Economic Development	71,953	0	0	0
Interest and Fiscal Charges	288,567	0	0	0
<i>Total Governmental Activities</i>	<u>12,017,350</u>	<u>1,766,250</u>	<u>1,559,611</u>	<u>64,125</u>
<b>Business-Type Activities:</b>				
Water	4,031,450	2,673,847	0	203,721
Sewer	2,381,826	2,478,021	0	539,643
<i>Total Business-Type Activities</i>	<u>6,413,276</u>	<u>5,151,868</u>	<u>0</u>	<u>743,364</u>
<i>Total</i>	<u>\$18,430,626</u>	<u>\$6,918,118</u>	<u>\$1,559,611</u>	<u>\$807,489</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  
Contributions not Restricted to Specific Programs  
Interest  
Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

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Net (Expense) Revenue and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
(\$1,494,673)	\$0	(\$1,494,673)
(2,899,264)	0	(2,899,264)
(1,462,985)	0	(1,462,985)
(401,116)	0	(401,116)
(235,366)	0	(235,366)
(163,388)	0	(163,388)
(1,574,058)	0	(1,574,058)
(35,994)	0	(35,994)
(71,953)	0	(71,953)
(288,567)	0	(288,567)
(8,627,364)	0	(8,627,364)
0	(1,153,882)	(1,153,882)
0	635,838	635,838
0	(518,044)	(518,044)
(8,627,364)	(518,044)	(9,145,408)
615,421	0	615,421
4,469,278	0	4,469,278
537,531	0	537,531
365,667	0	365,667
292,533	0	292,533
732,798	0	732,798
0	913,898	913,898
1,584,365	0	1,584,365
5,000	0	5,000
97,528	0	97,528
66,357	133,325	199,682
8,766,478	1,047,223	9,813,701
(406,029)	406,029	0
8,360,449	1,453,252	9,813,701
(266,915)	935,208	668,293
47,390,676	22,394,647	69,785,323
\$47,123,761	\$23,329,855	\$70,453,616

**City of Ravenna, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2011*

	General	Revolving Loan	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,744,792	\$0	\$4,940	\$3,205,199	\$4,954,931
Cash and Cash Equivalents With Fiscal Agents	0	0	0	469	469
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	5,190	0	0	0	5,190
Materials and Supplies Inventory	22,164	0	0	112,997	135,161
Accounts Receivable	40,124	0	663,893	2,990	707,007
Accrued Interest Receivable	1,002	0	0	0	1,002
Interfund Receivable	144,380	0	0	0	144,380
Intergovernmental Receivable	850,458	0	5,500	491,333	1,347,291
Prepaid Items	33,905	0	0	26,572	60,477
Income Taxes Receivable	859,227	0	56,223	314,428	1,229,878
Property Taxes Receivable	730,990	0	0	0	730,990
Special Assessments Receivable	28,839	0	0	137,946	166,785
Loans Receivable	0	7,063,236	0	0	7,063,236
<i>Total Assets</i>	<u>\$4,461,071</u>	<u>\$7,063,236</u>	<u>\$730,556</u>	<u>\$4,291,934</u>	<u>\$16,546,797</u>
<b>Liabilities</b>					
Accounts Payable	\$11,299	\$6,005	\$0	\$78,233	\$95,537
Accrued Wages	70,333	0	0	15,603	85,936
Intergovernmental Payable	140,042	0	0	29,233	169,275
Interfund Payable	0	0	5,500	138,880	144,380
Matured Bonds Payable	0	0	0	469	469
Matured Compensated Absences Payable	0	0	0	25,482	25,482
Deferred Revenue	1,422,353	0	612,483	527,633	2,562,469
Accrued Interest Payable	0	0	0	1,357	1,357
Notes Payable	0	0	0	170,000	170,000
<i>Total Liabilities</i>	<u>1,644,027</u>	<u>6,005</u>	<u>617,983</u>	<u>986,890</u>	<u>3,254,905</u>
<b>Fund Balances</b>					
Nonspendable	61,259	0	0	139,569	200,828
Restricted	0	7,057,231	0	1,290,678	8,347,909
Committed	0	0	112,573	1,875,318	1,987,891
Assigned	1,106,144	0	0	0	1,106,144
Unassigned (Deficit)	1,649,641	0	0	(521)	1,649,120
<i>Total Fund Balances</i>	<u>2,817,044</u>	<u>7,057,231</u>	<u>112,573</u>	<u>3,305,044</u>	<u>13,291,892</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,461,071</u>	<u>\$7,063,236</u>	<u>\$730,556</u>	<u>\$4,291,934</u>	<u>\$16,546,797</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, 2011*

<b>Total Governmental Fund Balances</b>	\$13,291,892
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,723,733
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	150,081
Income Taxes	483,675
Intergovernmental	596,147
Charges for Services	586,249
Special Assessments	<u>165,408</u>
Total	1,981,560
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	(60,419)
Internal Balances	<u>21,192</u>
Total	(39,227)
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(25,116)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(630,260)
Special Assessment Bonds	(149,737)
Library Bonds	(4,570,000)
Discount on Library Bonds	40,733
Capital Leases Payable	(628,550)
Compensated Absences	<u>(871,267)</u>
Total	<u>(6,809,081)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$47,123,761</u></u>

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, 2011*

	General	Revolving Loan	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$594,945	\$0	\$0	\$0	\$594,945
Income Taxes	4,484,953	0	293,559	1,641,731	6,420,243
Intergovernmental	1,160,391	0	6,800	1,873,350	3,040,541
Interest	49,184	48,190	0	154	97,528
Fees, Licenses and Permits	389,354	0	0	0	389,354
Fines and Forfeitures	59,953	0	0	2,573	62,526
Rentals	4,969	0	0	23,369	28,338
Charges for Services	0	0	426,905	757,016	1,183,921
Contributions and Donations	5,000	0	0	1,667	6,667
Special Assessments	0	0	0	49,702	49,702
Other	38,747	516	15,256	11,838	66,357
<i>Total Revenues</i>	<u>6,787,496</u>	<u>48,706</u>	<u>742,520</u>	<u>4,361,400</u>	<u>11,940,122</u>
<b>Expenditures</b>					
Current:					
General Government	1,569,112	0	0	2,108	1,571,220
Security of Persons and Property:					
Police	3,012,730	0	0	29,293	3,042,023
Fire	1,193,011	0	731,246	0	1,924,257
Leisure Time Activities	0	0	0	748,982	748,982
Public Health and Welfare	242,073	0	0	0	242,073
Community Environment	68,232	0	0	1,015,431	1,083,663
Transportation	0	0	0	1,088,775	1,088,775
Economic Development	0	71,953	0	0	71,953
Capital Outlay	0	0	0	757,446	757,446
Debt Service:					
Principal Retirement	37,329	0	0	343,409	380,738
Interest and Fiscal Charges	2,420	0	0	288,763	291,183
<i>Total Expenditures</i>	<u>6,124,907</u>	<u>71,953</u>	<u>731,246</u>	<u>4,274,207</u>	<u>11,202,313</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>662,589</u>	<u>(23,247)</u>	<u>11,274</u>	<u>87,193</u>	<u>737,809</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	61,939	0	0	75,961	137,900
Transfers In	0	0	0	210,613	210,613
Transfers Out	(616,642)	0	0	0	(616,642)
<i>Total Other Financing Sources (Uses)</i>	<u>(554,703)</u>	<u>0</u>	<u>0</u>	<u>286,574</u>	<u>(268,129)</u>
<i>Net Change in Fund Balances</i>	107,886	(23,247)	11,274	373,767	469,680
<i>Fund Balances Beginning of Year</i>	<u>2,709,158</u>	<u>7,080,478</u>	<u>101,299</u>	<u>2,931,277</u>	<u>12,822,212</u>
<i>Fund Balances End of Year</i>	<u>\$2,817,044</u>	<u>\$7,057,231</u>	<u>\$112,573</u>	<u>\$3,305,044</u>	<u>\$13,291,892</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, 2011*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$469,680</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital Outlay	\$323,639
Depreciation	<u>(1,486,482)</u>
Total	(1,162,843)
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.	
	(37,763)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property Taxes	20,476
Income Taxes	(22,436)
Intergovernmental	165,893
Charges for Services	88,176
Special Assessments	<u>(35,767)</u>
Total	216,342
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.	
	380,738
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	2,588
Accrued Interest on Capital Lease	1,968
Amortization of Discount	<u>(1,940)</u>
Total	2,616
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.	
	(2,372)
Other financing sources, such as inception of capital leases, in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.	
	(137,900)
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	7,064
Internal Balances	<u>(2,477)</u>
Total	<u>4,587</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$266,915)</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, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$584,795	\$610,621	\$594,945	(\$15,676)
Income Taxes	4,417,344	4,427,764	4,494,014	66,250
Intergovernmental	806,560	814,791	820,559	5,768
Interest	76,446	55,600	77,773	22,173
Fees, Licenses and Permits	385,523	395,655	392,214	(3,441)
Fines and Forfeitures	58,930	82,050	59,953	(22,097)
Rentals	4,884	6,600	4,969	(1,631)
Contributions and Donations	4,915	3,500	5,000	1,500
Other	31,085	18,006	31,329	13,323
<i>Total Revenues</i>	<u>6,370,482</u>	<u>6,414,587</u>	<u>6,480,756</u>	<u>66,169</u>
<b>Expenditures</b>				
Current:				
General Government	1,645,980	1,732,084	1,567,663	164,421
Security of Persons and Property:				
Police	3,242,443	3,388,414	3,042,244	346,170
Fire	1,291,346	1,348,727	1,215,167	133,560
Public Health and Welfare	264,631	285,998	247,490	38,508
Community Environment	75,099	82,008	70,235	11,773
<i>Total Expenditures</i>	<u>6,519,499</u>	<u>6,837,231</u>	<u>6,142,799</u>	<u>694,432</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(149,017)</u>	<u>(422,644)</u>	<u>337,957</u>	<u>760,601</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	111,701	155,804	97,263	(58,541)
Advances Out	(171,891)	(178,920)	(144,380)	34,540
Transfers Out	(659,349)	(686,312)	(616,642)	69,670
<i>Total Other Financing Sources (Uses)</i>	<u>(719,539)</u>	<u>(709,428)</u>	<u>(663,759)</u>	<u>45,669</u>
<i>Net Change in Fund Balance</i>	(868,556)	(1,132,072)	(325,802)	806,270
<i>Fund Balance Beginning of Year</i>	2,004,179	2,004,179	2,004,179	0
Prior Year Encumbrances Appropriated	51,424	51,424	51,424	0
<i>Fund Balance End of Year</i>	<u>\$1,187,047</u>	<u>\$923,531</u>	<u>\$1,729,801</u>	<u>\$806,270</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, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest	\$54,025	\$54,025	\$48,190	(\$5,835)
Other	236,000	236,000	193,552	(42,448)
<i>Total Revenues</i>	290,025	290,025	241,742	(48,283)
<b>Expenditures</b>				
Current:				
Economic Development	1,054,001	1,054,001	643,487	410,514
<i>Net Change in Fund Balance</i>	(763,976)	(763,976)	(401,745)	362,231
<i>Fund Balance Beginning of Year</i>	771,837	771,837	771,837	0
<i>Fund Balance End of Year</i>	<u>\$7,861</u>	<u>\$7,861</u>	<u>\$370,092</u>	<u>\$362,231</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*  
*Emergency Medical Services Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Income Taxes	\$282,459	\$295,872	\$294,152	(\$1,720)
Intergovernmental	6,530	12,300	6,800	(5,500)
Charges for Services	402,732	419,000	419,404	404
Other	14,693	18,675	15,301	(3,374)
<b>Total Revenues</b>	<b>706,414</b>	<b>745,847</b>	<b>735,657</b>	<b>(10,190)</b>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	706,933	745,118	736,186	8,932
<i>Excess of Revenues Over (Under) Expenditures</i>	(519)	729	(529)	(1,258)
<b>Other Financing Sources (Uses)</b>				
Advances In	5,954	6,200	5,500	(700)
Advances Out	(6,563)	(6,929)	(6,100)	829
<i>Total Other Financing Sources (Uses)</i>	(609)	(729)	(600)	129
<i>Net Change in Fund Balance</i>	(1,128)	0	(1,129)	(1,129)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	1,129	1,129	1,129	0
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$1,129</u>	<u>\$0</u>	<u>(\$1,129)</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2011*

	Business-Type Activities - Enterprise			Governmental
	Water	Sewer	Total	Activities - Internal Service
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$3,629,172	\$1,753,100	\$5,382,272	\$0
Materials and Supplies Inventory	89,992	12,054	102,046	0
Accounts Receivable	277,492	262,508	540,000	0
Intergovernmental Receivable	1,815	4,865,429	4,867,244	0
Prepaid Items	22,519	11,574	34,093	0
Income Taxes Receivable	175,697	0	175,697	0
<i>Total Current Assets</i>	<u>4,196,687</u>	<u>6,904,665</u>	<u>11,101,352</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,282,800	282,460	1,565,260	0
Depreciable Capital Assets, Net	16,260,633	13,404,230	29,664,863	0
<i>Total Noncurrent Assets</i>	<u>17,543,433</u>	<u>13,686,690</u>	<u>31,230,123</u>	<u>0</u>
<i>Total Assets</i>	<u>21,740,120</u>	<u>20,591,355</u>	<u>42,331,475</u>	<u>0</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	41,027	13,766	54,793	0
Accrued Wages	19,476	15,780	35,256	0
Intergovernmental Payable	33,575	26,377	59,952	0
Compensated Absences Payable	35,261	34,620	69,881	0
Deferred Revenue	0	4,816,066	4,816,066	0
Capital Leases Payable	5,200	3,261	8,461	0
OPWC Loans Payable	27,823	0	27,823	0
OWDA Loans Payable	90,640	1,102,870	1,193,510	0
Claims Payable	0	0	0	60,419
<i>Total Current Liabilities</i>	<u>253,002</u>	<u>6,012,740</u>	<u>6,265,742</u>	<u>60,419</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	82,172	128,760	210,932	0
Capital Leases Payable	10,845	8,043	18,888	0
OPWC Loans Payable	260,574	0	260,574	0
OWDA Loans Payable	1,232,318	10,991,974	12,224,292	0
<i>Total Long-Term Liabilities</i>	<u>1,585,909</u>	<u>11,128,777</u>	<u>12,714,686</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,838,911</u>	<u>17,141,517</u>	<u>18,980,428</u>	<u>60,419</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	15,916,033	1,580,542	17,496,575	0
Unrestricted (Deficit)	3,985,176	1,869,296	5,854,472	(60,419)
<i>Total Net Assets (Deficit)</i>	<u>\$19,901,209</u>	<u>\$3,449,838</u>	<u>23,351,047</u>	<u>(\$60,419)</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>(21,192)</u>
Net assets of business-type activities	<u>\$23,329,855</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, 2011*

	<u>Business-Type Activities - Enterprise</u>			Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Operating Revenues</b>				
Charges for Services	\$2,632,780	\$2,453,455	\$5,086,235	\$1,329,402
Tap-In Fees	11,395	6,950	18,345	0
Fees, Licenses and Permits	7,150	0	7,150	0
Special Assessments	22,522	17,616	40,138	0
Other	69,754	63,571	133,325	0
<i>Total Operating Revenues</i>	<u>2,743,601</u>	<u>2,541,592</u>	<u>5,285,193</u>	<u>1,329,402</u>
<b>Operating Expenses</b>				
Personal Services	1,531,998	1,217,831	2,749,829	0
Materials and Supplies	587,445	206,170	793,615	0
Contractual Services	1,209,657	448,387	1,658,044	407,148
Depreciation	654,910	433,948	1,088,858	0
Claims	0	0	0	915,190
<i>Total Operating Expenses</i>	<u>3,984,010</u>	<u>2,306,336</u>	<u>6,290,346</u>	<u>1,322,338</u>
<i>Operating Income (Loss)</i>	<u>(1,240,409)</u>	<u>235,256</u>	<u>(1,005,153)</u>	<u>7,064</u>
<b>Non-Operating Revenues (Expenses)</b>				
Capital Grants	203,721	539,643	743,364	0
Municipal Income Taxes	913,898	0	913,898	0
Interest and Fiscal Charges	(48,781)	(76,626)	(125,407)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>1,068,838</u>	<u>463,017</u>	<u>1,531,855</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	(171,571)	698,273	526,702	7,064
Transfers In	0	406,029	406,029	0
<i>Change in Net Assets</i>	(171,571)	1,104,302	932,731	7,064
<i>Net Assets (Deficit) Beginning of Year</i>	<u>20,072,780</u>	<u>2,345,536</u>		<u>(67,483)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$19,901,209</u>	<u>\$3,449,838</u>		<u>(\$60,419)</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>2,477</u>	
Change in net assets of business-type activities			<u>\$935,208</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, 2011

	Business-Type Activities - Enterprise			Governmental
	Water	Sewer	Total	Activities - Internal Service
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,670,641	\$2,472,281	\$5,142,922	\$0
Cash Received from Interfund Services Provided	0	0	0	1,329,402
Tap In Fees	11,395	6,950	18,345	0
Special Assessments	22,522	17,616	40,138	0
Other Operating Revenues	69,754	63,571	133,325	0
Cash Payments to Suppliers for Materials and Supplies	(457,973)	(206,837)	(664,810)	0
Cash Payments for Employee Services and Benefits	(1,561,469)	(1,225,444)	(2,786,913)	0
Cash Payments for Contractual Services	(1,209,037)	(442,537)	(1,651,574)	(407,148)
Cash Payments for Claims	0	0	0	(922,254)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(454,167)</u>	<u>685,600</u>	<u>231,433</u>	<u>0</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Municipal Income Taxes	918,956	0	918,956	0
Transfers In	0	406,029	406,029	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>918,956</u>	<u>406,029</u>	<u>1,324,985</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital Grants	203,890	539,643	743,533	0
Proceeds from OPWC Loans	61,105	0	61,105	0
Inception of Capital Lease	19,474	13,506	32,980	0
Principal Paid on OWDA Loans	(77,385)	(1,295,794)	(1,373,179)	0
Principal Paid on OPWC Loans	(27,823)	0	(27,823)	0
Principal Paid on Capital Leases	(3,429)	(2,202)	(5,631)	0
Interest Paid on OWDA Loans	(48,092)	(76,167)	(124,259)	0
Interest Paid on Capital Leases	(689)	(459)	(1,148)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>127,051</u>	<u>(821,473)</u>	<u>(694,422)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalent</i>	591,840	270,156	861,996	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,037,332</u>	<u>1,482,944</u>	<u>4,520,276</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,629,172</u>	<u>\$1,753,100</u>	<u>\$5,382,272</u>	<u>\$0</u>

(continued)

**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Year Ended December 31, 2011*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	(\$1,240,409)	\$235,256	(\$1,005,153)	\$7,064
Adjustments:				
Depreciation	654,910	433,948	1,088,858	0
(Increase) Decrease in Assets:				
Accounts Receivable	(2,099)	(964)	(3,063)	0
Intergovernmental Receivable	(1,391)	(3,679)	(5,070)	0
Special Assessment Receivable	34,201	23,469	57,670	0
Materials and Supplies Inventory	114,376	272	114,648	0
Prepaid Items	(15)	1,581	1,566	0
Increase (Decrease) in Liabilities:				
Accounts Payable	16,075	3,330	19,405	0
Accrued Wages	(22)	(274)	(296)	0
Compensated Absences Payable	(26,950)	(4,170)	(31,120)	0
Intergovernmental Payable	(2,843)	(3,169)	(6,012)	0
Claims Payable	0	0	0	(7,064)
<i>Total Adjustments</i>	<u>786,242</u>	<u>450,344</u>	<u>1,236,586</u>	<u>(7,064)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$454,167)</u></u>	<u><u>\$685,600</u></u>	<u><u>\$231,433</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2011*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$70,573</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$70,573</u></u>

See accompanying notes to the basic financial statements

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**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 - Description of the City and Reporting Entity**

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.

***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.

The City's management believes these financial statements present all activities for which the City is financially responsible.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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

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

***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.

***Fund Accounting***

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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

**General Fund** The general fund accounts for and reports all financial resources except those required to be accounted for and reported 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 and reports Federal grants restricted to make loans for economic development projects within the City.

**Emergency Medical Services Fund** The emergency medical services fund accounts for and reports revenue from EMS transports that is committed to offset the operational costs of the fire EMS department.

The other governmental funds of the City account for and report grants and other resources whose use is restricted, committed, or assigned 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, 2011*

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***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.

***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 8). 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, 2011*

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance 2012 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.

***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."

During the year, the City's investments were limited to federal home loan bank notes, federal home loan mortgage notes, federal national mortgage association notes, certificates of deposits and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on December 31, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amounted to \$49,184 which includes \$32,683 assigned from other City funds.

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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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.

***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.

***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.

***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.

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". 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.

***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, 2011*

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.

***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.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements compensated absences are reported as liabilities an expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund(s) from which the employees who have resigned or retired will be paid.

***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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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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.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***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. 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.

***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.

***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.

***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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***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.

***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.

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 Principles**

For fiscal year 2011, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in a change in total fund balance but only the classification of fund balance on the City's financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the City's financial statements.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Revolving Loan	EMS	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Inventory	\$22,164	\$0	\$0	\$112,997	\$135,161
Prepays	33,905	0	0	26,572	60,477
Unclaimed Monies	5,190	0	0	0	5,190
<i>Total Nonspendable</i>	<u>61,259</u>	<u>0</u>	<u>0</u>	<u>139,569</u>	<u>200,828</u>
<u>Restricted for:</u>					
Revolving Loans	0	7,057,231	0	0	7,057,231
Street Maintenance	0	0	0	1,113,613	1,113,613
Law Enforcement	0	0	0	47,073	47,073
Community Development	0	0	0	119,239	119,239
Other Purposes	0	0	0	10,753	10,753
<i>Total Restricted</i>	<u>0</u>	<u>7,057,231</u>	<u>0</u>	<u>1,290,678</u>	<u>8,347,909</u>
<u>Committed to:</u>					
Ambulance Service	0	0	112,573	0	112,573
Recreation	0	0	0	202,477	202,477
Recycling	0	0	0	474,198	474,198
Capital Improvements	0	0	0	1,198,643	1,198,643
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>112,573</u>	<u>1,875,318</u>	<u>1,987,891</u>
<u>Assigned to:</u>					
Other Purposes	1,106,144	0	0	0	1,106,144
Unassigned (Deficit)	1,649,641	0	0	(521)	1,649,120
<b>Total Fund Balances</b>	<u><u>\$2,817,044</u></u>	<u><u>\$7,057,231</u></u>	<u><u>\$112,573</u></u>	<u><u>\$3,305,044</u></u>	<u><u>\$13,291,892</u></u>

**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 funds. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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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 restricted, committed, or assigned fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions.
5. Investments are reported at fair value (GAAP) rather than cost (budget basis).

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	Emergency Medical Services
GAAP Basis	\$107,886	(\$23,247)	\$11,274
Net Adjustment for Revenue Accruals	(386,066)	0	(6,863)
Beginning Fair Value Adjustment for Investments	(8,311)	0	0
Ending Fair Value Adjustment for Investments	25,698	0	0
Advances In	97,263	0	5,500
Loan Payments Received	0	193,036	0
Net Adjustment for Expenditures Accruals	27,987	364,099	0
Advances Out	(144,380)	0	(6,100)
Loans Issued	0	(935,633)	0
Encumbrances	(45,879)	0	(4,940)
Budget Basis	(\$325,802)	(\$401,745)	(\$1,129)

**Note 6 – Accountability**

The deficit in the UDSA grant special revenue fund of \$521 was caused by revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit and provides transfers when cash is required, not when accruals occur.

The group hospitalization reserve internal service fund deficit of \$60,419 was caused by revenue being insufficient to cover expenditures on the accrual basis of accounting. The general fund is liable for any deficit and provides transfers when cash is required, not when accruals occur.

**Note 7 - 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, 2011*

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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, 2011

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, 2011, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Standard &amp; Poor's</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank Notes	\$1,800,569	Less than three years	AAA	20.62 %
Federal Home Loan Mortgage Notes	1,962,961	Less than three years	AAA	22.47
Federal National Mortgage Association Notes	500,130	Less than three years	AAA	5.73
STAR Ohio	<u>4,470,504</u>	Average 57 days	NA	NA
Total Portfolio	<u><u>\$8,734,164</u></u>			

**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.

**Credit Risk** The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes and Federal National Mortgage Association Notes carry a rating of AAA by Standard & Poor's and STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio 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 federal home loan bank notes and federal farm credit bureau bonds 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.

**Concentration of Credit Risk** The City places no limit on the amount it may invest in any one issuer.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 8 - Receivables**

Receivables at December 31, 2011 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 \$6,870,200.

Special assessments expected to be collected in more than one year amount to \$89,271 in the special assessment bond retirement fund. At December 31, 2011 the amount of delinquent special assessments was \$1,377.

***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 2011 for real and public utility property taxes represents collections of 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) is for 2011 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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.

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. 2010 public utility property taxes become a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be 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 September 20.

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For the Year Ended December 31, 2011

The full tax rate for all City operations for the year ended December 31, 2011, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$130,001,170
Other Real Estate	65,161,280
Tangible Personal Property	
Public Utility	3,412,720
General	73,000
Total Assessed Values	\$198,648,170

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, 2011 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 2011 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.

***Intergovernmental***

A summary of governmental activities intergovernmental receivables as of December 31, 2011, follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Estate Tax	\$559,067
Local Government	245,089
Gasoline and Excise Tax	121,290
USDA Grant	85,950
Cents per Gallon Tax	61,016
Permissive Tax	54,237
Ravenna City School District	46,940
Clean Ohio Grant	44,810
Other	42,223
Homestead and Rollback	37,044
Motor Vehicle License Tax	36,805
SAFE Grants	6,320
Emergency Medical Services Grant	5,500
Recreation Grant	1,000
Total	\$1,347,291

**City of Ravenna, Ohio**  
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The Business-type activities intergovernmental receivables as of December 31, 2011, consists of the following:

<b>Business-type Activities</b>	<b>Amounts</b>
Portage County	\$4,811,603
Portage County Auditor	49,075
Windmill Enterprises	4,463
State of Ohio	1,282
Ravenna City School District	622
US Army Corps of Engineers	199
Total	\$4,867,244

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, 2011 is \$76,033. 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, 2011 is \$4,735,570. 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 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, 2011 is \$4,463. 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.

***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, 61.13 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 12.50 percent to the water enterprise fund.

**City of Ravenna, Ohio**  
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**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 2011, the City contracted with two companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
U.S. Speciality Insurance Company	Umbrella Liability	\$5,000,000
	General Liability	3,000,000
	Stop Gap Liability	1,000,000
	Law Enforcement Liability - each person, each wrongful act	1,000,000
	Public Officials Liability	1,000,000
	Auto Liability	1,000,000
	Commercial Property	40,095,744
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 \$70,000 per employee per year.

The claims liability of \$60,419 reported in the internal service fund at December 31, 2011, 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 2010 and 2011 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2010	\$113,274	\$958,030	\$1,003,821	\$67,483
2011	67,483	915,190	922,254	60,419

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**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,431,400	\$100,242	(\$24,176)	\$1,507,466
Capital assets being depreciated				
Buildings	4,890,223	0	0	4,890,223
Improvements other than Buildings	523,382	82,593	(40,800)	565,175
Furniture, Fixtures and Equipment	2,755,083	36,629	(6,127)	2,785,585
Vehicles	3,272,076	4,175	0	3,276,251
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	100,000	0	710,800
Total capital assets being depreciated	70,189,813	223,397	(46,927)	70,366,283
Accumulated depreciation				
Buildings	(2,750,951)	(79,475)	0	(2,830,426)
Improvements other than Buildings	(344,073)	(23,358)	0	(367,431)
Furniture, Fixtures and Equipment	(1,496,726)	(200,372)	27,213	(1,669,885)
Vehicles	(2,148,333)	(180,930)	6,127	(2,323,136)
Infrastructure:				
Streets	(18,268,028)	(711,360)	0	(18,979,388)
Storm Drains	(2,445,828)	(35,994)	0	(2,481,822)
Sidewalks	(3,258,730)	(217,090)	0	(3,475,820)
Fire Hydrants	(635,164)	(20,475)	0	(655,639)
Traffic Lights	(349,041)	(17,428)	0	(366,469)
Total accumulated depreciation	(31,696,874)	(1,486,482) *	33,340	(33,150,016)
Capital assets being depreciated, net	38,492,939	(1,263,085)	(13,587)	37,216,267
Governmental activities capital assets, net	\$39,924,339	(\$1,162,843)	(\$37,763)	\$38,723,733

**City of Ravenna, Ohio**  
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\* Depreciation expense was charged to governmental activities as follows:

General Government	\$26,902
Security of Persons and Property:	
Police	102,816
Fire	134,104
Leisure Time Activities	20,475
Public Health and Welfare	35,994
Community Environment	273,973
Transportation	837,094
Basic Utility Services	55,124
Total	\$1,486,482

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,565,260	\$0	\$0	\$1,565,260
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	8,179,408	0	0	8,179,408
Vehicles	120,009	0	(26,918)	93,091
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	52,967,258	0	(26,918)	52,940,340
Accumulated depreciation				
Buildings	(3,388,580)	(141,178)	0	(3,529,758)
Improvements other than Buildings	(7,381,412)	(365,020)	0	(7,746,432)
Furniture, Fixtures and Equipment	(2,125,903)	(341,926)	0	(2,467,829)
Vehicles	(88,809)	(11,400)	26,918	(73,291)
Infrastructure:				
Water Lines	(6,284,093)	(166,925)	0	(6,451,018)
Sewer Lines	(2,944,740)	(62,409)	0	(3,007,149)
Total accumulated depreciation	(22,213,537)	(1,088,858)	26,918	(23,275,477)
Capital assets being depreciated, net	30,753,721	(1,088,858)	0	29,664,863
Business-type activities capital assets, net	\$32,318,981	(\$1,088,858)	\$0	\$31,230,123

**City of Ravenna, Ohio**  
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**Note 11 - Defined Benefit Pension Plans**

***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 Pension 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, but less than, 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010 and 2009 were \$419,029, \$383,995, and \$388,909, respectively. For 2011, 90.91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$7,360 made by the City and \$5,257 made by plan members.

***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

**City of Ravenna, Ohio**  
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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 – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$179,361 and \$197,238 for the year ended December 31, 2011, \$183,027 and \$201,270 for the year ended December 31, 2010, and \$196,873 and \$209,661 for the year ended December 31, 2009, respectively. 89.23 percent for police and 90.83 percent for firefighters has been contributed for 2011 with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

## **Note 12 - Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 mandate, 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010 and 2009 were \$167,612, \$218,913, and \$281,211, respectively. For 2011, 90.91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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 on January 1 of each year from 2006 to 2009. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***Police and Firemen's Disability and 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 health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, 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 Sections 115 and 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 \$94,956 and \$77,180 for the year ended December 31, 2011, \$96,896 and \$78,758 for the year ended December 31, 2010, and \$104,227 and \$82,041 for the year ended December 31, 2009. 89.23 percent has been contributed for police and 90.83 percent has been contributed for firefighters for 2011 with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

### **Note 13 – Compensated Absences**

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

### **Note 14 – Interfund Transactions**

#### ***Interfund Balances***

Interfund balances at December 31, 2011, consist of an interfund receivable in the general fund for \$144,380 and interfund payables of \$5,500 in the emergency medical service special revenue fund, \$97,359 in the clean Ohio assistance special revenue fund, and \$41,521 in the USDA grant special revenue fund. These advances were made to cover qualifying expenditures in the grant funds which will be reimbursed when the grant monies are received by the City.

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***Interfund Transfers***

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfers To	Transfers From General
<i>Major Funds:</i>	
Sewer	\$406,029
Nonmajor Governmental Funds	210,613
Total	\$616,642

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

**Note 15 – Note Payable**

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

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11
2.375% 2010 Note	\$250,000	\$0	\$250,000	\$0
2.375% 2011 Note	0	170,000	0	170,000
Total	\$250,000	\$170,000	\$250,000	\$170,000

On August 31, 2010, the City issued notes for the purpose of improving the dispatch center. The notes matured September 31, 2011 and were retired with the proceeds of the 2011 notes, issued August 30, 2011. The 2011 notes mature on August 30, 2012. The notes are backed by the full faith and credit of the City and were recorded in the capital improvements fund.

**Note 16 - Capital Leases**

During 2011, the City had lease agreements for an ambulance for the fire department, copy machines, a mailing system, a garage for the street department, a fueling station 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 original amounts capitalized for the capital leases and the book value as of December 31, 2011 follows:

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<i>Asset:</i>	
Machinery and Equipment	\$31,884
Improvements	82,593
Buildings	600,000
Vehicles	469,483
Historical Cost	1,183,960
Less: Accumulated Depreciation	(472,084)
Total Book Value as of December 31, 2011	\$711,876

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

Year Ending December 31,	Governmental Activities	Business-type Activities
2012	\$148,521	\$9,703
2013	76,429	9,703
2014	62,312	5,722
2015	54,917	3,731
2016	40,445	931
2017-2021	180,000	0
2022-2024	81,000	0
Total Minimum Lease Payments	643,624	29,790
Less: Amount Representing Interest	(15,074)	(2,441)
Present Value of Minimum Lease	\$628,550	\$27,349

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the general fund, the street construction, maintenance and repair, parks and recreation, and recycling special revenue funds, the capital improvements and parks capital improvements capital projects funds and the water and sewer enterprise funds. These expenditures are reflected as program expenditures on a budgetary basis.

**City of Ravenna, Ohio**  
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**Note 17 - Long-term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Business-Type Activities</b>			
<i>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
Ravenna Area Water Improvements - 2009	0.00%	17,801	2029
New Milford Road Waterline - 2009	0.00%	22,597	2029
Clinton and Lafayette Waterline - 2011	0.00%	130,000	N/A
<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 - 2010	3.40%	1,111,883	2023
<b>Governmental Activities</b>			
<i>General Obligation Bonds:</i>			
Streetscape Bonds - 1993	3.50% to 6.30%	995,000	2013
Streetscape Bonds - 1994	4.20% to 6.35%	171,514	2014
Municipal Building Improvement - 2003	4.00% to 5.00%	635,000	2023
<i>Special Assessment Bonds</i>			
<i>with Governmental Commitments:</i>			
Streetscape Bonds - 1994	4.20% to 6.35%	638,486	2014
<i>Library Bonds:</i>			
Reed Memorial Library Bonds - 2003	2.00% to 5.00%	5,350,000	2033

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	Outstanding 12/31/10	Additions	(Reductions)	Outstanding 12/31/11	Amounts Due in One Year
<b>Business Type Activities</b>					
<b>OPWC Loans</b>					
Cotton Corners Waterline	\$22,433	\$0	(\$5,609)	\$16,824	\$5,609
Lakewood Road Waterline	42,083	0	(8,416)	33,667	8,416
Hayes Road Waterline	29,407	0	(3,459)	25,948	3,459
Highland Avenue Reconstruction	17,912	0	(1,791)	16,121	1,791
Lake Avenue Water and Storm Loan	19,097	0	(1,528)	17,569	1,528
Chestnut and Washington					
Water and Storm Sewers	42,500	0	(2,500)	40,000	2,500
West Main Street Waterline Replacement	43,750	0	(2,500)	41,250	2,500
Ravenna Area Water Improvements	16,466	0	(890)	15,576	890
New Milford Road Waterline	21,467	0	(1,130)	20,337	1,130
Clinton and Lafayette Waterline	0	61,105	0	61,105	0
<i>Total OPWC Loans</i>	<u>255,115</u>	<u>61,105</u>	<u>(27,823)</u>	<u>288,397</u>	<u>27,823</u>
<b>OWDA Loans</b>					
Sewer	623,143	0	(410,222)	212,921	212,921
Lovers Lane Windmill Sewer	201,879	0	(13,444)	188,435	13,980
Kent/Ravenna Emergency Waterline	354,150	0	(21,728)	332,422	22,528
WWTP Expansion	12,565,616	0	(872,128)	11,693,488	875,969
Water Meters	1,046,193	0	(55,657)	990,536	68,112
<i>Total OWDA Loans</i>	<u>14,790,981</u>	<u>0</u>	<u>(1,373,179)</u>	<u>13,417,802</u>	<u>1,193,510</u>
Capital Leases	0	32,980	(5,631)	27,349	8,461
Compensated Absences	311,933	23,637	(54,757)	280,813	69,881
<i>Total Business Type Activities</i>	<u>\$15,358,029</u>	<u>\$117,722</u>	<u>(\$1,461,390)</u>	<u>\$14,014,361</u>	<u>\$1,299,675</u>
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Streetscape Bonds - 1993	\$225,000	\$0	(\$70,000)	\$155,000	\$75,000
Streetscape Bonds - 1994	51,903	0	(11,643)	40,260	12,702
Municipal Building Improvement	465,000	0	(30,000)	435,000	30,000
<i>Total General Obligation Bonds</i>	<u>741,903</u>	<u>0</u>	<u>(111,643)</u>	<u>630,260</u>	<u>117,702</u>
<b>Special Assessment Bonds with Governmental Commitments</b>					
Streetscape Bonds - 1994	193,094	0	(43,357)	149,737	47,298
<b>Library Bonds</b>					
Reed Memorial Library Bonds	4,680,000	0	(110,000)	4,570,000	115,000
Discount on Reed Memorial Library Bonds	(42,673)	0	1,940	(40,733)	0
<i>Total Library Bonds</i>	<u>4,637,327</u>	<u>0</u>	<u>(108,060)</u>	<u>4,529,267</u>	<u>115,000</u>
Capital Leases	606,388	137,900	(115,738)	628,550	139,232
Compensated Absences	868,895	76,071	(73,699)	871,267	307,821
<i>Total Governmental Activities</i>	<u>\$7,047,607</u>	<u>\$213,971</u>	<u>(\$452,497)</u>	<u>\$6,809,081</u>	<u>\$727,053</u>

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.

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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.

Capital leases will be paid from various revenues from the general fund, the street construction, maintenance and repair, parks and recreation, and recycling special revenue funds, the capital improvements and parks capital improvement capital projects funds and the water and sewer enterprise funds.

The City has entered into a contractual agreement for a water loan from OPWC in the amount of \$130,000 for the Clinton and Lafayette waterline project. Under the terms of this agreement, OPWC will reimburse, advance, or directly pay construction costs of the approved projects. OPWC will capitalize administrative costs and construction interest and add them to the total amount of the final loans. This loan is not finalized, therefore it has not been included in the amortization schedule below.

The City's overall legal debt margin was \$15,552,798 at December 31, 2011. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

Business-Type Activities

	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2012	\$27,823	\$1,193,510	\$108,067
2013	27,825	988,172	95,246
2014	27,820	995,903	87,517
2015	22,217	1,003,789	79,630
2016	13,798	1,012,044	71,586
2017-2021	58,557	5,185,821	231,271
2022-2026	37,389	3,038,563	32,936
2027-2030	11,863	0	0
<b>Total</b>	<b>\$227,292</b>	<b>\$13,417,802</b>	<b>\$706,253</b>

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

Governmental Activities

	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Library Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$117,702	\$31,707	\$47,298	\$9,511	\$115,000	\$218,747
2013	123,761	24,518	51,239	6,507	120,000	214,550
2014	43,797	19,624	51,200	3,254	125,000	209,750
2015	30,000	17,250	0	0	130,000	204,750
2016	35,000	15,750	0	0	135,000	199,290
2017-2021	190,000	51,750	0	0	760,000	903,160
2022-2026	90,000	6,750	0	0	955,000	704,900
2027-2031	0	0	0	0	1,220,000	441,750
2032-2033	0	0	0	0	1,010,000	87,000
Total	<u>\$630,260</u>	<u>\$167,349</u>	<u>\$149,737</u>	<u>\$19,272</u>	<u>\$4,570,000</u>	<u>\$3,183,897</u>

**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”. Each representative from each department is 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 2011, the City contributed \$4,454, 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 2011 was 58.0 percent. During 2011, \$169,847 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, 2011*

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**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.

**Note 21 - Contingencies**

***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, 2011.

***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.

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**CITY OF RAVENNA  
PORTAGE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Pass-through Entry Number</b>	<b>CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development</i>			
NSP- sub recipient to Portage County	B-Z-08-062-1	14.218	\$ 31,684
Community Housing Improvement Program (CDBG)	A-C-10-2DI-1	14.228	40,291
Small Communities Development Block Grant (CDBG) Formula Program	A-F-09-168-1	14.228	54,215
Small Communities Development Block Grant (CDBG) Formula Program	A-F-10-201-1	14.228	66,089
Small Communities Development Block Grant (CDBG) Econ Dev Program	A-E-11-2DI-1	14.228	300,000
			<u>460,595</u>
Community Housing Improvement Program (HOME)	A-C-10-2DI-2	14.239	126,995
NSP Recaptured Funds	A-C-10-2DI-2	14.239	67,420
			<u>194,415</u>
<b>Total U.S. Department of Housing &amp; Urban Development</b>			686,694
<b>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</b>			
<i>Passed Through the Ohio Department of Public Safety</i>			
Safe Communities 10-11	SC-2011-67-00-00-00386-00	20.600	27,969
<b>DEPT OF HEALTH &amp; HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Aging</i>			
Area Agency on Aging FY 10/1/10 - 9/30/11	-	93.044	1,452
<b>DEPT OF AGRICULTURE</b>			
SURF - Start-up Ravenna Farms Program 9/30/11 - 9/30/13	12-25-G-1438	10.168	521
<b>Total Federal Financial Assistance</b>			<u><u>\$ 716,636</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF RAVENNA  
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Ravenna's (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning Loans Receivable Balance as of January 1, 2011	\$ 3,022,836
Loans Made	\$ -
Loan Principal Repaid	\$ 40,137
Ending Loans Receivable Balance as of December 31, 2011	\$ 2,982,699
<hr/>	
Cash Balance on Hand in the Revolving Loan Fund as of December 31, 2011	\$ 115,236
Administrative Costs Expended during 2011	\$ 10,172

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2011, \$187,126 are more than 60 days past due.



# Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2012, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

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

City of Ravenna  
Portage County  
Independent Accountant's Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note a certain matter not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 12, 2012.

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

June 12, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

### Compliance

We have audited the compliance of 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 could directly and materially affect the City of Ravenna's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with these requirements.

In our opinion, the City of Ravenna complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

### Internal Control Over Compliance

The City's management 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of management, City Council, others within the City, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

June 12, 2012

**CITY OF RAVENNA  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant (CDBG) CFDA #14.228
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • 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  
JULY 12, 2012