



Dave Yost • Auditor of State

**CITY OF RAVENNA
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparisons for the General, Revolving Loan, and Street Construction Maintenance and Repair Funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 18, 2013

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of the City of Ravenna's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2012. 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 2012, the City's primary focus was on the implementation of the final phase of a three-part budget Deficit Reduction Strategy that was initiated by the Budget Commission in 2009.
- With the 2012 general fund operating deficit projected to be over \$1 million, the City was able to effectively reduce spending by close to \$600,000. These savings, combined with a significant estate tax settlement, actually created an operating surplus at year end. This allowed the City to preserve the entire general fund balance and roll it into 2013. Throughout the year, the City also moved forward with significant employee Healthcare Policy changes to become effective in 2013. The Deficit Reduction Strategy and the Healthcare Policy changes are described in detail in the narrative at the end of this discussion and analysis.

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 Position 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 Position 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 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Ravenna's finances, in a manner similar to private sector businesses. The *statement of net position* 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.

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

The *statement of activities* presents information showing how the government's net position changed during the recent fiscal year. All changes in net position 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*.

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, the revolving loan and street construction maintenance and repair special revenue funds, and the Honeywell project capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Ravenna adopts an annual appropriated budget for each of its funds to comply with budgetary requirements.

City of Ravenna, Ohio
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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 Position looks at the City as a whole. The following table provides a summary of the City's net position for 2012 compared to 2011.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	\$16,633,679	\$16,423,609	\$13,843,866	\$11,080,160	\$30,477,545	\$27,503,769
Capital Assets, Net	40,863,229	38,723,733	31,063,334	31,230,123	71,926,563	69,953,856
Total Assets	57,496,908	55,147,342	44,907,200	42,310,283	102,404,108	97,457,625
Liabilities						
Current Liabilities	738,896	633,591	204,248	150,001	943,144	783,592
Long-Term Liabilities						
Due Within One Year	810,623	727,053	1,217,726	1,299,675	2,028,349	2,026,728
Due in More Than One Year	8,482,068	6,082,028	14,810,158	12,714,686	23,292,226	18,796,714
Total Liabilities	10,031,587	7,442,672	16,232,132	14,164,362	26,263,719	21,607,034
Deferred Inflows of Resources						
Property Taxes	519,222	580,909	0	0	519,222	580,909
Net Position						
Net Investment in Capital Assets	36,888,623	37,315,186	15,324,537	17,496,575	52,213,160	54,811,761
Restricted for:						
Debt Service	11,789	111,453	0	0	11,789	111,453
Other Purposes	9,125,921	8,656,360	0	0	9,125,921	8,656,360
Unrestricted (Deficit)	919,766	1,040,762	13,350,531	10,649,346	14,270,297	11,690,108
Total Net Assets	\$46,946,099	\$47,123,761	\$28,675,068	\$28,145,921	\$75,621,167	\$75,269,682

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By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the City has increased as evidenced by the increase in net position. This is primarily due to an increase in assets. Both cash and capital assets increased as debt was issued to pay for City-wide energy conservation projects. Liabilities decreased slightly as the new debt issued was more than offset by annual payments on existing debt. Management continues to diligently plan expenses, maintaining excellent levels of service within the constraints of the budget.

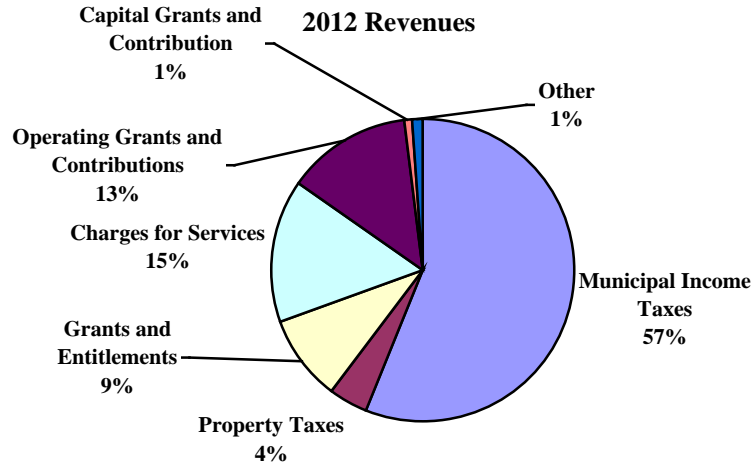
In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2012 and 2011.

Table 2
Change in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services and Assessments	\$1,702,931	\$1,766,250	\$5,425,946	\$5,151,868	\$7,128,877	\$6,918,118
Operating Grants and Contributions	1,548,118	1,559,611	0	0	1,548,118	1,559,611
Capital Grants and Contributions	131,743	64,125	465,497	743,364	597,240	807,489
Total Program Revenues	<u>3,382,792</u>	<u>3,389,986</u>	<u>5,891,443</u>	<u>5,895,232</u>	<u>9,274,235</u>	<u>9,285,218</u>
General Revenues						
Property Taxes	500,914	615,421	0	0	500,914	615,421
Income Taxes	6,368,430	6,397,807	1,202,308	913,898	7,570,738	7,311,705
Grants and Entitlements	1,012,983	1,584,365	0	0	1,012,983	1,584,365
Unrestricted Contributions	0	5,000	0	0	0	0
Investment Earnings	176,546	97,528	0	0	176,546	97,528
Other	121,982	66,357	133,073	133,325	255,055	199,682
Total General Revenues	<u>8,180,855</u>	<u>8,766,478</u>	<u>1,335,381</u>	<u>1,047,223</u>	<u>9,516,236</u>	<u>9,808,701</u>
<i>Total Revenues</i>	<u>11,563,647</u>	<u>12,156,464</u>	<u>7,226,824</u>	<u>6,942,455</u>	<u>18,790,471</u>	<u>19,093,919</u>
Program Expenses						
General Government	(1,487,485)	(1,740,438)	0	0	(1,487,485)	(1,740,438)
Security of Persons and Property:						
Police	(3,183,105)	(3,170,793)	0	0	(3,183,105)	(3,170,793)
Fire	(2,122,241)	(2,066,235)	0	0	(2,122,241)	(2,066,235)
Leisure Time Activities	(855,954)	(818,685)	0	0	(855,954)	(818,685)
Public Health and Welfare	(248,651)	(254,365)	0	0	(248,651)	(254,365)
Community Environment	(1,091,754)	(1,429,408)	0	0	(1,091,754)	(1,429,408)
Transportation	(2,332,569)	(2,212,865)	0	0	(2,332,569)	(2,212,865)
Basic Utility Services	(35,994)	(35,994)	0	0	(35,994)	(35,994)
Interest and Fiscal Charges	(383,556)	(288,567)	0	0	(383,556)	(288,567)
Water	0	0	(3,960,528)	(4,031,450)	(3,960,528)	(4,031,450)
Sewer	0	0	(2,737,149)	(2,381,826)	(2,737,149)	(2,381,826)
Total Program Expenses	<u>(11,741,309)</u>	<u>(12,017,350)</u>	<u>(6,697,677)</u>	<u>(6,413,276)</u>	<u>(18,438,986)</u>	<u>(18,430,626)</u>
Excess of Revenues						
Over (Under) Expenses	(177,662)	139,114	529,147	529,179	351,485	663,293
Transfers	0	(406,029)	0	406,029	0	0
Change in Net Assets	(177,662)	(266,915)	529,147	935,208	351,485	663,293
Net Assets Beginning of Year	47,123,761	47,390,676	28,145,921	27,210,713	75,269,682	74,601,389
Net Assets End of Year	<u>\$46,946,099</u>	<u>\$47,123,761</u>	<u>\$28,675,068</u>	<u>\$28,145,921</u>	<u>\$75,621,167</u>	<u>\$75,264,682</u>

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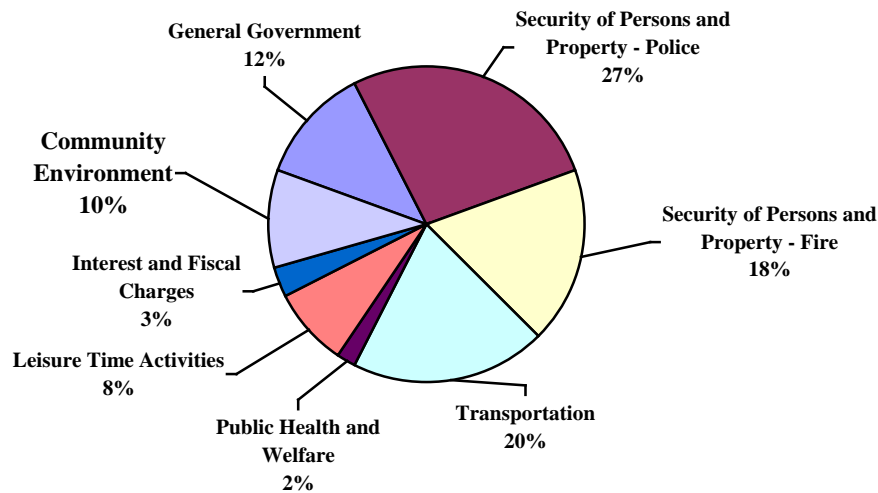
Governmental Activities



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. For 2012, annual tax receipts finished \$204,130, or 2.8 percent over 2011. A footnote to this is that net profit taxes uncharacteristically accounted for nearly 90 percent of the increase and may have been a result of uncertainty in the corporate tax rate structure throughout 2012.

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 2012, primarily due to an increase in recreation department fees and memberships. Operating grants and contributions remained at 2011 levels, as the City continues to maintain its stance of actively pursuing all forms of grants available. Investment income for 2012 finished slightly above the previous year as investments with longer maturities and higher yields now comprising a greater percentage of the City's total portfolio.

2012 Expenses



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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 (45 percent) of all Governmental Activity expenses. Within the general fund, safety forces continue to account for roughly 69 to 70 percent of total expenditures. As noted in last year's narrative, the City-wide wage freeze that was in effect from 2010 through 2012 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's cost containment, 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 2012, the City of Ravenna reported combined governmental fund balances of \$13,540,578. Of this amount, \$1,731,029 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 \$11,591,827 and expenditures of \$14,256,326 leaving a difference of expenditures over revenues of \$2,664,499. After other financing sources and uses, fund balance increased by \$248,686.

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.

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The original 2012 general fund revenues were budgeted at \$6,190,467 and final budgeted revenues were \$6,361,399. 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 2012 balances of capital assets as compared to 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$1,507,466	\$1,507,466	\$1,565,260	\$1,565,260	\$3,072,726	\$3,072,726
Construction in Progress	2,802,681	0	833,054	0	3,635,735	0
Buildings	2,147,852	2,059,797	4,079,923	4,220,966	6,227,775	6,280,763
Improvements other than Buildings	224,495	224,957	6,423,821	6,786,783	6,648,316	7,011,740
Furniture, Fixtures and Equipment	1,058,313	1,094,614	5,445,130	5,711,579	6,503,443	6,806,193
Vehicles	1,238,862	946,988	20,540	19,800	1,259,402	966,788
Infrastructure	31,883,560	32,889,911	12,695,606	12,925,735	44,579,166	45,815,646
Total Capital Assets	<u>\$40,863,229</u>	<u>\$38,723,733</u>	<u>\$31,063,334</u>	<u>\$31,230,123</u>	<u>\$71,926,563</u>	<u>\$69,953,856</u>

Total capital assets for governmental and business-type activities of the City of Ravenna increased from 2011 due primarily to additions to construction in progress. The City-wide energy conservation improvement project began in 2012 and will continue into 2013. Additional information concerning the City's capital assets can be found in Note 11 to the basic financial statements.

Long-term Obligations

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$3,281,912	\$630,260	\$3,264,097	\$0	\$6,546,009	\$630,260
Special Assessment Bonds	102,439	149,737	0	0	102,439	149,737
Library Bonds	4,416,207	4,529,267	0	0	4,416,207	4,529,267
OPWC Loans	0	0	282,077	288,397	282,077	288,397
OWDA Loans	0	0	12,224,292	13,417,802	12,224,292	13,417,802
Capital Leases	633,149	628,550	18,888	27,349	652,037	655,899
Compensated Absences	858,984	871,267	238,530	280,813	1,097,514	1,152,080
Total	<u>\$9,292,691</u>	<u>\$6,809,081</u>	<u>\$16,027,884</u>	<u>\$14,014,361</u>	<u>\$25,320,575</u>	<u>\$20,823,442</u>

At December 31, 2012, the City of Ravenna had governmental long-term obligations of \$9,292,691 in bonds, capital leases and compensated absences outstanding. The Library bonds account for \$4,416,207 or 47.5 percent of the total governmental activities. At December 31, 2012 the City had \$16,027,884 outstanding in

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long-term business-type obligations, which include general obligation bonds, 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, a municipal building improvement bond, and energy conservation bonds. The energy conservation bonds were issued in 2012 to provide funding for a City-wide energy conservation improvement project. 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 \$4,876,484.

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, distributed income tax receipts, and participation revenues from Portage County as noted above. A portion of the energy conservation bonds are also in business-type activities, as some of the energy conservation improvements will be done at the water and sewer facilities. Additional information concerning debt issuances can be found in Note 18 to the basic financial statements.

Current Financial Related Activities

General Fund

Overview

For 2012 the City's financial focus remained primarily on the general fund in its ongoing effort to reduce and stabilize spending in the face of declining revenues. 2012 set the stage for the implementation of the third phase of a Budgetary Initiative that was aimed at examining how policy changes could help to better control current and long-term spending. As detailed below, the policy component of the plan began by addressing the City's Employee Healthcare program. The better part of 2012 was spent working through the details of creating a cost-effective overhaul of the City's Group Healthcare plan. To begin, a brief overview of the general fund over the past 5 years will provide some perspective of the Budget Commission's original Deficit Reduction Strategy and the results yielded to date.

Inside the Numbers

The Commission's plan began in 2009 by recommending across the board spending cuts, followed by staffing reductions in 2010. The final phase of the plan addressed policy changes, in particular employer paid healthcare, as a critical component of reducing annual operating deficits. In the past four years the City's annual expenditures have exceeded annual operating revenues, despite the spending cuts and staffing reductions mentioned above. The deficits have been driven by significant losses of revenue between 2008 and 2012. As revenues fell each year, the City countered with expenditure reductions aimed at offsetting the losses. The swing in revenue peaked in 2009 when income tax receipts and interest income fell nearly \$900,000 over a two year period. In addition to this, income tax receipts fell by another \$150,000 in 2010, pushing the total 3 year revenue loss to over \$1,000,000.

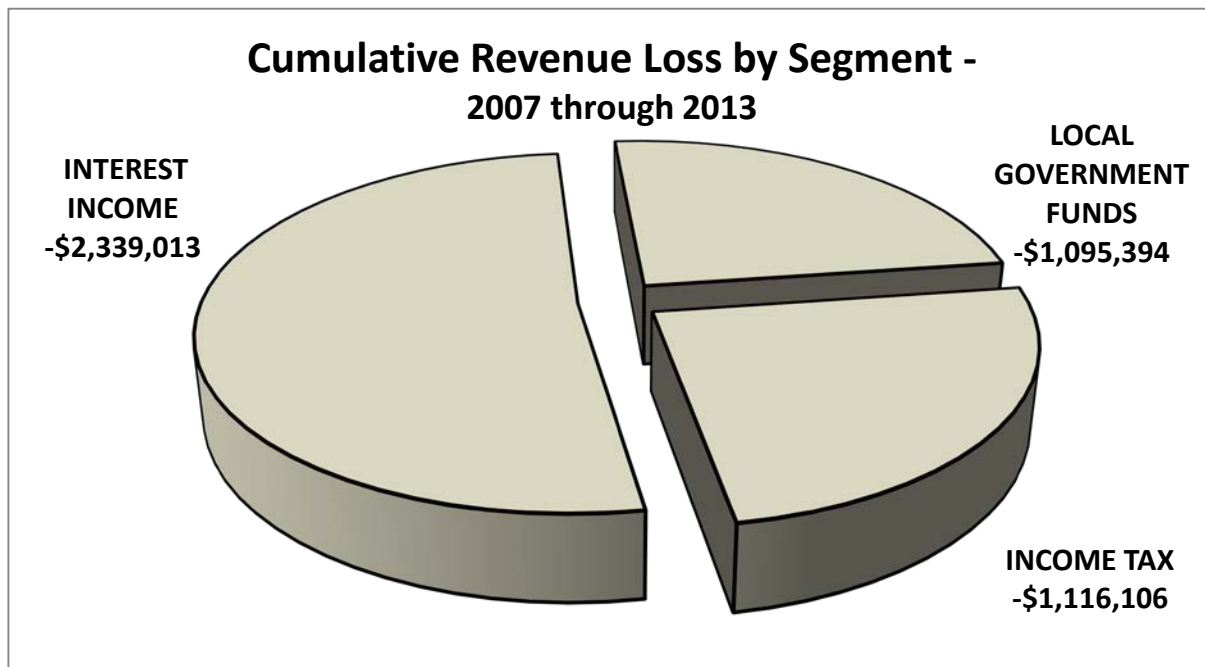
The loss of these material revenues are illustrated below and chronicle the declines in the City's general fund receipts. Income tax receipts, interest income, and the State sponsored local government fund program have historically comprised the largest revenue segments. It was these segments that took the biggest hit. In late

City of Ravenna, Ohio
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2009, income tax revenues decreased, reflecting the change in Ravenna's labor market employment numbers. The reduction carried to 2010, and while revenues have stabilized, they never fully recovered to 2008 levels. Losses in interest income were the direct effect of rates bottoming out and local government fund decreases represent the various stages of the program's phase-out. The year-by-year impact of the revenue losses are illustrated in the table below.

REVENUE TRENDS 2007-2013							BUDGET
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>MATERIAL REVENUE CHANGES</u>							
INCOME TAX	41,000	11,000	(270,105)	(156,560)	52,963	174,385	
INTEREST INCOME	49,450	(243,294)	(282,540)	19,867	31,791	6,230	
LOCAL GOVT FUND		(8,479)	(103,605)	(8,036)	(3,931)	(174,272)	(134,014)
MATERIAL REVENUE CHANGES		(240,773)	(656,250)	(144,729)	80,823	6,343	(134,014)

The cumulative effect of these key revenue losses continues to be at the root of the City's annual operating deficit projections. Adding the impending 2013 reduction in Local Government Funds to the years 2007 through 2012, the following chart is further evidence that traditional expenditure cuts could not alone offset the revenue losses.



Since 2008, the City has been forced to use the general fund's cash reserve balance to cover operating losses. The revenue decline was so rapid that there was no opportunity to reach the annual operating break-even point without materially impacting operations and City Services. While the City knew it was faced with

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having to spend down the general fund balance, the Deficit Reduction Strategy was phased in with a simple goal of cutting costs, cutting losses, and preserving as much carry-over fund balance as possible. The table below shows the reductions made to the general fund operating deficit the past four years.

DEFICIT REDUCTIONS - PROJECTED VS. ACTUAL					
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
PROJECTED DEFICIT BEFORE EXPENSE REDUCTIONS	(1,402,633)	(1,602,014)	(589,340)	(1,030,876)	(851,323)
ACTUAL ANNUAL SURPLUS / (DEFICIT)	(998,436)	(520,364)	(317,825)	160,449	
DEFICIT REDUCTION	404,197	1,081,650	271,515	1,030,876	-

In 2012, the general fund projections showed another operating loss of over \$1 million. This was significantly reduced by an unanticipated estate tax settlement of \$559,066. This one-time event, coupled with an increase in income tax revenue, operational expenditure reductions, and a significant savings in healthcare costs actually produced an operating surplus of \$160,449 for the year. It is worth noting however, that without the one-time infusion of the estate tax, the general fund would have operated at a loss of \$400,000 for the year.

THE BUDGET COMMISSION STRATEGY

As mentioned previously, the City's Deficit Reduction Strategy was rolled out in three phases, with timeline considerations based on operations and existing collective bargaining agreements. The plan featured:

- ▶ Across the board non-payroll spending cuts
- ▶ Staffing reductions and department consolidations
- ▶ Policy changes with regard to healthcare and compensation

THE STRATEGY IMPLEMENTED AND MEASURED

Non-payroll spending cuts were enacted in the third quarter of 2009, as the budget was reduced for the balance of the year and for all of 2010, producing total cost reductions of \$269,021. These cuts remain today as a part of the City's permanent general fund budget. Personnel and staffing reduction also began in 2009 as it became policy not to back-fill retirements unless safety, service, or utility operations were materially affected.

2010 spending cuts included a series of significant personnel moves that eliminated positions, combined positions, and melded departments within the general fund. The net impact of the staffing reductions and departmental changes produced a savings of over \$500,000. Combined with the personnel moves made in 2009, the total yielded savings of nearly \$680,000 over a two year period.

2011 saw further cost reductions, primarily on the non-payroll expense side. The labor reductions from the past two years had many departments now operating at minimum staffing levels with no room left for further cuts. In the end, it was healthcare costs that favorably impacted the general fund as spending on medical claims finished well under the projection and enabled a projected deficit of \$589,540 to be cut by \$271,515.

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For 2012, the City's operating budget was overcome as noted above.

POLICY CHANGES - THIRD PHASE OF THE DEFICIT REDUCTION PLAN - HEALTHCARE POLICY CHANGES SET AS A PRIORITY

History and the Self-Funded Plan

The City self-funds its employee healthcare program and must budget the actual maximum cost exposure for a given year. This maximum is actuarially calculated by the healthcare provider and represents the potential worse-case cost scenario the City could face. The City has had success maintaining consistent year-to-year claims costs in the self-funded environment and has experienced significant savings over purchasing a premium-based policy. The historical annual unspent healthcare appropriations in the general fund have averaged \$200,000 to \$350,000 per year. Due to the fact it must be budgeted, it cannot be treated as an assumed savings and built into the projected deficit reduction model. Savings can only be recognized after they are realized. The City monitors the claims throughout the year, and barring a catastrophic event, typically projects estimated annual savings in the fourth quarter of each year.

Changes to the Healthcare Plan and City Policy

The above reference to healthcare expenditures is based on a plan whereby the City paid 100 percent of all costs after employee deductibles, maximum out-of-pocket amounts, and copays were met. The plan required no employee contribution. It also had no provision to disallow spouses of employees to join the City's plan when they had coverage available elsewhere. The deductibles, out-of-pocket costs, and prescription drug prices in the plan were at near industry lows as the City's healthcare plan has been operating with a benefit level, or plan design, that has remained unchanged since 2006. The savings described above was realized only from participant claim activity.

The Cost of Healthcare Moving Forward

After bundling the spending cuts, staffing reductions, and factoring in the unspent healthcare "add-back", the City is now moving into the third phase of the Deficit Reduction plan by addressing policies that drive costs. And the current Employee Healthcare Plan sits atop the list of policies. The changes that will be rolled out in 2013 will increase out-of-pocket costs for participants, add an employee contribution, allow employees to "opt-out" of the City's plan, and most importantly will not cover employee spouses, if that spouse has coverage available elsewhere. The new healthcare plan design is more in line with other public entities, and is the first year of a three year step-up plan that incrementally increases employee costs in 2014 and 2015. While it is far too early to determine the financial impact of the changes, conservative estimates show the City savings at approximately \$225,000 for the first year. This number is expected to grow in future years as employee participation costs increase.

A LOOK AHEAD

Despite the material cost reductions made over the past 4 years, the Deficit Reduction Table above illustrates the impact of the continued loss of revenues. Just as 2012 was buoyed by the estate tax windfall, 2013 shows yet another revenue set-back in terms of further reductions in local government funds. Looking to 2013, the City is once again staring down the barrel of an operating loss that is projected to be over \$800,000.

The Budget Commission anticipates that this number can be, and will be, significantly reduced in the coming year by the changes made to the City of Ravenna's healthcare plan and healthcare policy.

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Unaudited

2012 SPECIAL REVENUE AND ENTERPRISE FUND REVIEW

STREET FUND:

The Street Department finished 2012 with an operating surplus of \$127,083 mainly due to favorable Healthcare costs and the ability to maintain operations with less than a full complement of staff. 2012 marks the third consecutive year that the Street Department turned a surplus, increasing the fund's cash reserve to over \$1 million at year end.

PARKS AND RECREATION:

Much like the Street Department, the Parks & Recreation Department turned an annual operating surplus in 2012 for the third straight year. The annual margin has been consistently in the \$20,000 to \$25,000 range, and for 2012 revenues of \$762,854 outpaced expenses of \$739,143. The Park and Recreation function continues to monitor spending closely and was significantly aided by healthcare savings within the fund. Despite declines in the Department's two major self-generated revenue categories, program fees and athletic club memberships, an increase in income tax revenue covered the shortfall for the year. As in the past, the key to 2012 was the Department's ability to monitor and adjust operating costs consistent with revenue projections throughout the course of the year.

WATER FUND:

For 2012, the water fund improved, on a cash basis, on its 2011 fund performance by producing a \$422,942 operating surplus for the year, compared to a \$362,753 surplus the year prior. With a year end cash balance of over \$5.4 million, the water fund is now better positioned to invest in a variety of much needed capital improvement projects to both the water treatment plant and water infrastructure.

SEWER FUND:

The sewer fund operated at a \$166,018 surplus for 2012, on a cash basis, as all major revenue categories finished above budget. The Department capitalized a portion of its fund balance and, like the water fund, is entering a period of permanent improvement investment over the next 3 to 5 years.

SUMMARY:

The 2012 year end numbers continue to reflect each Department's commitment to keeping spending in check as revenues for the most part remain stagnant. And, in the face of the resulting budget cuts imposed over the past four years, Department heads still continue to attack the spending side of the equation by finding new and creative ways of stretching budgetary dollars to ensure the quantity and quality of City services remains unchanged.

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 Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,922,069	\$8,422,370	\$14,344,439
Materials and Supplies Inventory	101,473	94,530	196,003
Accrued Interest Receivable	2,059	0	2,059
Accounts Receivable	842,313	624,695	1,467,008
Internal Balances	45,626	(45,626)	0
Intergovernmental Receivable	980,472	4,496,179	5,476,651
Prepaid Items	55,911	33,605	89,516
Income Taxes Receivable	1,201,897	218,113	1,420,010
Property Taxes Receivable	581,376	0	581,376
Special Assessments Receivable	121,274	0	121,274
Loans Receivable	6,779,209	0	6,779,209
Nondepreciable Capital Assets	4,310,147	2,398,314	6,708,461
Depreciable Capital Assets, Net	36,553,082	28,665,020	65,218,102
<i>Total Assets</i>	<u>57,496,908</u>	<u>44,907,200</u>	<u>102,404,108</u>
Liabilities			
Accounts Payable	59,015	83,193	142,208
Accrued Wages	112,631	44,143	156,774
Contracts Payable	88,310	0	88,310
Intergovernmental Payable	176,856	63,275	240,131
Matured Compensated Absences Payable	47,220	0	47,220
Accrued Interest Payable	34,782	13,637	48,419
Claims Payable	130,082	0	130,082
Notes Payable	90,000	0	90,000
Long-Term Liabilities:			
Due Within One Year	810,623	1,217,726	2,028,349
Due In More Than One Year	8,482,068	14,810,158	23,292,226
<i>Total Liabilities</i>	<u>10,031,587</u>	<u>16,232,132</u>	<u>26,263,719</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	519,222	0	519,222
Net Position			
Net Investment in Capital Assets	36,888,623	15,324,537	52,213,160
Restricted for:			
Debt Service	11,789	0	11,789
Other Purposes	9,125,921	0	9,125,921
Unrestricted	919,766	13,350,531	14,270,297
<i>Total Net Position</i>	<u>\$46,946,099</u>	<u>\$28,675,068</u>	<u>\$75,621,167</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,487,485	\$138,828	\$0	\$119,542
Security of Persons and Property:				
Police	3,183,105	252,419	991	0
Fire	2,122,241	658,700	6,766	0
Leisure Time Activities	855,954	389,153	1,805	12,201
Public Health and Welfare	248,651	17,713	0	0
Community Environment	1,091,754	246,118	740,850	0
Transportation	2,332,569	0	797,706	0
Basic Utility Services	35,994	0	0	0
Interest and Fiscal Charges	383,556	0	0	0
<i>Total Governmental Activities</i>	<u>11,741,309</u>	<u>1,702,931</u>	<u>1,548,118</u>	<u>131,743</u>
Business-Type Activities:				
Water	3,960,528	2,858,908	0	296,889
Sewer	2,737,149	2,567,038	0	168,608
<i>Total Business-Type Activities</i>	<u>6,697,677</u>	<u>5,425,946</u>	<u>0</u>	<u>465,497</u>
<i>Total</i>	<u><u>\$18,438,986</u></u>	<u><u>\$7,128,877</u></u>	<u><u>\$1,548,118</u></u>	<u><u>\$597,240</u></u>

General Revenues

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

Total General Revenues

Change in Net Assets

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

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,229,115)	\$0	(\$1,229,115)
(2,929,695)	0	(2,929,695)
(1,456,775)	0	(1,456,775)
(452,795)	0	(452,795)
(230,938)	0	(230,938)
(104,786)	0	(104,786)
(1,534,863)	0	(1,534,863)
(35,994)	0	(35,994)
(383,556)	0	(383,556)
(8,358,517)	0	(8,358,517)
0	(804,731)	(804,731)
0	(1,503)	(1,503)
0	(806,234)	(806,234)
(8,358,517)	(806,234)	(9,164,751)
500,914	0	500,914
4,073,824	0	4,073,824
556,450	0	556,450
378,537	0	378,537
302,829	0	302,829
1,056,790	0	1,056,790
0	946,342	946,342
0	255,966	255,966
1,012,983	0	1,012,983
176,546	0	176,546
121,982	133,073	255,055
8,180,855	1,335,381	9,516,236
(177,662)	529,147	351,485
47,123,761	28,145,921	75,269,682
\$46,946,099	\$28,675,068	\$75,621,167

City of Ravenna, Ohio

Balance Sheet

Governmental Funds

December 31, 2012

	General	Revolving Loan	Street Construction Maintenance and Repair	Honeywell Project	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,901,081	\$579,396	\$1,032,328	\$0	\$2,406,327	\$5,919,132
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	2,937	0	0	0	0	2,937
Materials and Supplies Inventory	22,043	0	76,665	0	2,765	101,473
Accounts Receivable	46,879	0	916	0	794,518	842,313
Accrued Interest Receivable	2,059	0	0	0	0	2,059
Interfund Receivable	249,527	0	0	0	0	249,527
Intergovernmental Receivable	367,779	0	258,007	0	354,686	980,472
Prepaid Items	38,130	0	5,947	0	11,834	55,911
Income Taxes Receivable	780,296	0	104,371	0	317,230	1,201,897
Property Taxes Receivable	581,376	0	0	0	0	581,376
Special Assessments Receivable	31,296	0	0	0	89,978	121,274
Loans Receivable	0	6,779,209	0	0	0	6,779,209
Total Assets	\$4,023,403	\$7,358,605	\$1,478,234	\$0	\$3,977,338	\$16,837,580
Liabilities						
Accounts Payable	\$22,050	\$0	\$4,089	\$0	\$32,876	\$59,015
Accrued Wages	91,516	0	12,819	0	8,296	112,631
Contracts Payable	0	0	0	88,310	0	88,310
Intergovernmental Payable	146,180	0	15,439	0	15,237	176,856
Interfund Payable	0	0	0	0	249,527	249,527
Matured Compensated Absences Payable	20,426	0	0	0	26,794	47,220
Accrued Interest Payable	0	0	0	0	841	841
Notes Payable	0	0	0	0	90,000	90,000
Total Liabilities	280,172	0	32,347	88,310	423,571	824,400
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance						
Current Year Operations	519,222	0	0	0	0	519,222
Unavailable Revenue	560,112	0	185,891	0	1,207,377	1,953,380
Total Deferred Inflows of Resources	1,079,334	0	185,891	0	1,207,377	2,472,602
Fund Balances						
Nonspendable	63,110	0	82,612	0	14,599	160,321
Restricted	0	7,358,605	1,177,384	0	153,786	8,689,775
Committed	0	0	0	0	2,181,872	2,181,872
Assigned	777,581	0	0	0	0	777,581
Unassigned (Deficit)	1,823,206	0	0	(88,310)	(3,867)	1,731,029
Total Fund Balances (Deficit)	2,663,897	7,358,605	1,259,996	(88,310)	2,346,390	13,540,578
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$4,023,403	\$7,358,605	\$1,478,234	\$0	\$3,977,338	\$16,837,580

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2012*

Total Governmental Fund Balances \$13,540,578

*Amounts reported for governmental activities in the
 statement of net position are different because*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 40,863,229

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

Property Taxes	62,154
Income Taxes	461,685
Intergovernmental	586,209
Charges for Services	723,429
Special Assessments	<u>119,903</u>

Total 1,953,380

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 position.

Net Position	(130,082)
Internal Balances	<u>45,626</u>

Total (84,456)

In the statement of activities, interest is accrued on outstanding
 bonds and leases, whereas in governmental funds, an interest
 expenditure is reported when due. (33,941)

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

General Obligation Bonds	(3,281,912)
Special Assessment Bonds	(102,439)
Library Bonds	(4,455,000)
Discount on Library Bonds	38,793
Capital Leases Payable	(633,149)
Compensated Absences	<u>(858,984)</u>

Total (9,292,691)

Net Position of Governmental Activities \$46,946,099

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, 2012

	General	Revolving Loan	Street Construction Maintenance and Repair	Honeywell Project	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$588,841	\$0	\$0	\$0	\$0	\$588,841
Income Taxes	4,111,997	0	556,987	0	1,721,436	6,390,420
Intergovernmental	836,925	235,000	789,583	0	830,560	2,692,068
Interest	110,802	65,744	0	0	0	176,546
Fees, Licenses and Permits	415,861	0	0	0	0	415,861
Fines and Forfeitures	45,303	0	0	0	12,592	57,895
Rentals	4,340	0	0	0	35,863	40,203
Charges for Services	0	0	0	0	1,048,819	1,048,819
Contributions and Donations	0	0	0	0	10,714	10,714
Special Assessments	0	0	0	0	48,478	48,478
Other	20,166	630	23,765	3,901	73,520	121,982
<i>Total Revenues</i>	<u>6,134,235</u>	<u>301,374</u>	<u>1,370,335</u>	<u>3,901</u>	<u>3,781,982</u>	<u>11,591,827</u>
Expenditures						
Current:						
General Government	1,438,169	0	0	0	2,044	1,440,213
Security of Persons and Property:						
Police	3,096,951	0	0	0	31,946	3,128,897
Fire	1,157,113	0	0	0	758,767	1,915,880
Leisure Time Activities	0	0	0	0	764,938	764,938
Public Health and Welfare	226,978	0	0	0	0	226,978
Community Environment	64,277	0	0	0	769,428	833,705
Transportation	0	0	1,284,870	0	32,511	1,317,381
Economic Development	0	0	0	0	0	0
Capital Outlay	0	0	0	2,802,681	998,011	3,800,692
Debt Service:						
Principal Retirement	49,375	0	967	0	368,890	419,232
Interest and Fiscal Charges	79,263	0	177	23,265	270,086	372,791
Issuance Costs	0	0	0	35,619	0	35,619
<i>Total Expenditures</i>	<u>6,112,126</u>	<u>0</u>	<u>1,286,014</u>	<u>2,861,565</u>	<u>3,996,621</u>	<u>14,256,326</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>22,109</u>	<u>301,374</u>	<u>84,321</u>	<u>(2,857,664)</u>	<u>(214,639)</u>	<u>(2,664,499)</u>
Other Financing Sources (Uses)						
Inception of Capital Lease	0	0	0	0	143,831	143,831
General Obligation Bonds Issued	0	0	0	2,726,460	0	2,726,460
Premium on General Obligation Bonds	0	0	0	42,894	0	42,894
Transfers In	0	0	0	0	175,256	175,256
Transfers Out	(175,256)	0	0	0	0	(175,256)
<i>Total Other Financing Sources (Uses)</i>	<u>(175,256)</u>	<u>0</u>	<u>0</u>	<u>2,769,354</u>	<u>319,087</u>	<u>2,913,185</u>
<i>Net Change in Fund Balances</i>	<u>(153,147)</u>	<u>301,374</u>	<u>84,321</u>	<u>(88,310)</u>	<u>104,448</u>	<u>248,686</u>
<i>Fund Balances Beginning of Year</i>	<u>2,817,044</u>	<u>7,057,231</u>	<u>1,175,675</u>	<u>0</u>	<u>2,241,942</u>	<u>13,291,892</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$2,663,897</u>	<u>\$7,358,605</u>	<u>\$1,259,996</u>	<u>(\$88,310)</u>	<u>\$2,346,390</u>	<u>\$13,540,578</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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$248,686

*Amounts reported for governmental activities in the statement of activities
are different because*

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	\$3,459,659	
Depreciation	(1,279,165)	
Total		2,180,494

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. (40,998)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property Taxes	(87,927)	
Income Taxes	(21,990)	
Intergovernmental	(9,938)	
Charges for Services	137,180	
Special Assessments	(45,505)	
Total		(28,180)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets.

General Obligation Bonds Issued	(2,726,460)	
Premium on General Obligation Bonds	(42,894)	
Inception of Capital Lease	(143,831)	
Total		(2,913,185)

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. 419,232

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	(8,808)	
Accrued Interest on Capital Lease	(17)	
Amortization of Discount	(1,940)	
Total		(10,765)

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. 12,283

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 Position	(69,663)	
Internal Balances	24,434	
Total		(45,229)

Change in Net Position of Governmental Activities (\$177,662)

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$563,581	\$590,198	\$588,841	(\$1,357)
Income Taxes	3,974,610	3,972,112	4,152,755	180,643
Intergovernmental	1,120,139	1,175,267	1,170,345	(4,922)
Interest	80,442	133,893	84,047	(49,846)
Fees, Licenses and Permits	385,342	408,009	402,613	(5,396)
Fines and Forfeitures	43,360	52,081	45,303	(6,778)
Rentals	4,154	5,000	4,340	(660)
Other	18,839	24,839	18,229	(6,610)
<i>Total Revenues</i>	<u>6,190,467</u>	<u>6,361,399</u>	<u>6,466,473</u>	<u>105,074</u>
Expenditures				
Current:				
General Government	1,707,599	1,752,047	1,506,071	245,976
Security of Persons and Property:				
Police	3,554,077	3,600,921	3,075,121	525,800
Fire	1,325,452	1,346,724	1,150,820	195,904
Public Health and Welfare	264,151	266,902	235,683	31,219
Community Environment	74,148	74,921	64,052	10,869
<i>Total Expenditures</i>	<u>6,925,427</u>	<u>7,041,515</u>	<u>6,031,747</u>	<u>1,009,768</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(734,960)</u>	<u>(680,116)</u>	<u>434,726</u>	<u>1,114,842</u>
Other Financing Sources (Uses)				
Advances In	5,264	507,982	5,500	(502,482)
Advances Out	(128,088)	(129,422)	(110,647)	18,775
Transfers Out	(202,881)	(204,994)	(175,256)	29,738
<i>Total Other Financing Sources (Uses)</i>	<u>(325,705)</u>	<u>173,566</u>	<u>(280,403)</u>	<u>(453,969)</u>
<i>Net Change in Fund Balance</i>	(1,060,665)	(506,550)	154,323	660,873
<i>Fund Balance Beginning of Year</i>	1,729,801	1,729,801	1,729,801	0
Prior Year Encumbrances Appropriated	45,878	45,878	45,878	0
<i>Fund Balance End of Year</i>	<u>\$715,014</u>	<u>\$1,269,129</u>	<u>\$1,930,002</u>	<u>\$660,873</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$48,540	\$53,500	\$65,744	\$12,244
Other	166,610	183,633	319,159	135,526
<i>Total Revenues</i>	215,150	237,133	384,903	147,770
Expenditures				
Current:				
Economic Development	365,339	438,584	119,838	318,746
<i>Net Change in Fund Balance</i>	(150,189)	(201,451)	265,065	466,516
<i>Fund Balance Beginning of Year</i>	370,092	370,092	370,092	0
<i>Fund Balance End of Year</i>	<u>\$219,903</u>	<u>\$168,641</u>	<u>\$635,157</u>	<u>\$466,516</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction Maintenance and Repair Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$500,428	\$531,229	\$555,389	\$24,160
Intergovernmental	762,556	762,733	846,306	83,573
Charges for Services	5,401	7,965	5,994	(1,971)
Other	4,484	12,676	4,977	(7,699)
Total Revenues	1,272,869	1,314,603	1,412,666	98,063
Expenditures				
Current:				
Transportation	1,240,781	1,418,861	1,287,366	131,495
<i>Net Change in Fund Balance</i>	32,088	(104,258)	125,300	229,558
<i>Fund Balance Beginning of Year</i>	905,271	905,271	905,271	0
<i>Fund Balance End of Year</i>	<u><u>\$937,359</u></u>	<u><u>\$801,013</u></u>	<u><u>\$1,030,571</u></u>	<u><u>\$229,558</u></u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$5,407,015	\$3,015,355	\$8,422,370	\$0
Materials and Supplies Inventory	81,087	13,443	94,530	0
Accounts Receivable	330,968	293,727	624,695	0
Intergovernmental Receivable	469	4,495,710	4,496,179	0
Prepaid Items	23,420	10,185	33,605	0
Income Taxes Receivable	177,501	40,612	218,113	0
<i>Total Current Assets</i>	<u>6,020,460</u>	<u>7,869,032</u>	<u>13,889,492</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,724,598	673,716	2,398,314	0
Depreciable Capital Assets, Net	15,877,370	12,787,650	28,665,020	0
<i>Total Noncurrent Assets</i>	<u>17,601,968</u>	<u>13,461,366</u>	<u>31,063,334</u>	<u>0</u>
<i>Total Assets</i>	<u>23,622,428</u>	<u>21,330,398</u>	<u>44,952,826</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	60,066	23,127	83,193	0
Accrued Wages	23,736	20,407	44,143	0
Intergovernmental Payable	35,729	27,546	63,275	0
Accrued Interest Payable	7,134	6,503	13,637	0
Compensated Absences Payable	36,744	30,077	66,821	0
Capital Leases Payable	5,507	3,442	8,949	0
OPWC Loans Payable	32,059	0	32,059	0
OWDA Loans Payable	93,805	894,367	988,172	0
General Obligation Bonds Payable	63,675	58,050	121,725	0
Claims Payable	0	0	0	130,082
<i>Total Current Liabilities</i>	<u>358,455</u>	<u>1,063,519</u>	<u>1,421,974</u>	<u>130,082</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	97,717	73,992	171,709	0
Capital Leases Payable	5,338	4,601	9,939	0
OPWC Loans Payable	250,018	0	250,018	0
OWDA Loans Payable	1,138,513	10,097,607	11,236,120	0
General Obligation Bonds Payable	1,643,792	1,498,580	3,142,372	0
<i>Total Long-Term Liabilities</i>	<u>3,135,378</u>	<u>11,674,780</u>	<u>14,810,158</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,493,833</u>	<u>12,738,299</u>	<u>16,232,132</u>	<u>130,082</u>
Net Position				
Net Investment in Capital Assets	14,395,708	928,829	15,324,537	0
Unrestricted (Deficit)	5,732,887	7,663,270	13,396,157	(130,082)
<i>Total Net Position (Deficit)</i>	<u>\$20,128,595</u>	<u>\$8,592,099</u>	<u>28,720,694</u>	<u>(\$130,082)</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:

(45,626)

Net assets of business-type activities

\$28,675,068

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$2,814,413	\$2,567,038	\$5,381,451	\$1,378,659
Fees, Licenses and Permits	44,495	0	44,495	0
Other	72,550	60,523	133,073	0
<i>Total Operating Revenues</i>	<u>2,931,458</u>	<u>2,627,561</u>	<u>5,559,019</u>	<u>1,378,659</u>
Operating Expenses				
Personal Services	1,523,763	1,235,622	2,759,385	0
Materials and Supplies	530,246	196,485	726,731	0
Contractual Services	1,378,881	535,890	1,914,771	420,958
Depreciation	383,263	616,580	999,843	0
Claims	0	0	0	1,027,364
<i>Total Operating Expenses</i>	<u>3,816,153</u>	<u>2,584,577</u>	<u>6,400,730</u>	<u>1,448,322</u>
<i>Operating Income (Loss)</i>	<u>(884,695)</u>	<u>42,984</u>	<u>(841,711)</u>	<u>(69,663)</u>
Non-Operating Revenues (Expenses)				
Capital Grants	296,889	168,608	465,497	0
Municipal Income Taxes	946,342	255,966	1,202,308	0
Interest and Fiscal Charges	(67,255)	(83,112)	(150,367)	0
Issuance Costs	(63,895)	(58,251)	(122,146)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>1,112,081</u>	<u>283,211</u>	<u>1,395,292</u>	<u>0</u>
<i>Change in Net Assets</i>	227,386	326,195	553,581	(69,663)
<i>Net Position (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>19,901,209</u>	<u>8,265,904</u>		<u>(60,419)</u>
<i>Net Position (Deficit) End of Year</i>	<u>\$20,128,595</u>	<u>\$8,592,099</u>		<u>(\$130,082)</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.

(24,434)

Change in net assets of business-type activities

\$529,147

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,813,228	\$2,535,684	\$5,348,912	\$0
Cash Received from Interfund Services Provided	0	0	0	1,378,659
Other Operating Revenues	66,100	59,342	125,442	0
Cash Payments to Suppliers for Materials and Supplies	(486,314)	(189,145)	(675,459)	0
Cash Payments for Employee Services and Benefits	(1,500,321)	(1,289,137)	(2,789,458)	0
Cash Payments for Contractual Services	(1,395,770)	(533,869)	(1,929,639)	(420,958)
Cash Payments for Claims	0	0	0	(957,701)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(503,077)</u>	<u>582,875</u>	<u>79,798</u>	<u>0</u>
Cash Flows from Noncapital Financing Activities				
Financing Activities				
Municipal Income Taxes	944,538	215,354	1,159,892	0
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(441,798)	(391,256)	(833,054)	0
Capital Grants	296,889	539,643	836,532	0
Proceeds of Notes	1,648,475	1,502,850	3,151,325	0
Proceeds of General Obligation Bonds	1,681,020	1,532,520	3,213,540	0
Premium on General Obligation Bonds	26,447	24,110	50,557	0
Proceeds from OPWC Loans	23,621	0	23,621	0
Principal Paid on Notes	(1,648,475)	(1,502,850)	(3,151,325)	0
Principal Paid on OWDA Loans	(90,640)	(1,102,870)	(1,193,510)	0
Principal Paid on OPWC Loans	(29,941)	0	(29,941)	0
Principal Paid on Capital Leases	(5,200)	(3,260)	(8,460)	0
Interest Paid on Notes	(14,344)	(13,078)	(27,422)	0
Interest Paid on OWDA Loans	(45,034)	(63,032)	(108,066)	0
Interest Paid on Capital Leases	(743)	(500)	(1,243)	0
Issuance Costs	(63,895)	(58,251)	(122,146)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>1,336,382</u>	<u>464,026</u>	<u>1,800,408</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalent</i>	1,777,843	1,262,255	3,040,098	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,629,172</u>	<u>1,753,100</u>	<u>5,382,272</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$5,407,015</u>	<u>\$3,015,355</u>	<u>\$8,422,370</u>	<u>\$0</u>

(continued)

City of Ravenna, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	(\$884,695)	\$42,984	(\$841,711)	(\$69,663)
Adjustments:				
Depreciation	383,263	616,580	999,843	0
(Increase) Decrease in Assets:				
Accounts Receivable	(53,476)	(31,219)	(84,695)	0
Intergovernmental Receivable	1,346	(1,316)	30	0
Materials and Supplies Inventory	8,905	(1,389)	7,516	0
Prepaid Items	(901)	1,389	488	0
Increase (Decrease) in Liabilities:				
Accounts Payable	19,039	9,361	28,400	0
Accrued Wages	4,260	4,627	8,887	0
Compensated Absences Payable	17,028	(59,311)	(42,283)	0
Intergovernmental Payable	2,154	1,169	3,323	0
Claims Payable	0	0	0	69,663
<i>Total Adjustments</i>	381,618	539,891	921,509	69,663
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$503,077)	\$582,875	\$79,798	\$0

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$47,263</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$47,263</u></u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 19 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 20 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 21 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, 2012

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 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 position 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 position 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 position 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.

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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

Street Construction Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports income taxes and State gasoline tax and motor vehicle registration fees that are restricted for maintenance of streets within the City.

Honeywell Project Fund The Honeywell project fund accounts for and reports debt proceeds restricted for energy conservation improvement projects within the City.

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 position, 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 residential 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 position and changes in net position. 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, 2012

Measurement Focus

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources are generally 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 inflows/outflows of resources 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, 2012

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for service, fines and forfeitures and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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, 2012.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
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Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amounted to \$110,802 which includes \$87,368 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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 position, 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 position 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 position 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 of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

City maintains a capitalization threshold of five thousand dollars for governmental activities and twenty thousand dollars for business-type activities. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land. 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 and 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Accrued Liabilities and Long-Term Obligations

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

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

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 the highest level formal action (ordinance or resolution, as both are legally binding) 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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. These amounts are assigned by City Council. 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. State statute authorizes the Finance Director to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in the 2013 appropriated budget.

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.

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 Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position 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 position 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 goods or services that are 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

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 and Restatement of Net Position

Change in Accounting Principles

For 2012, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

City of Ravenna, Ohio
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GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City's 2012 financial statements and resulted in a change to the financial statements (see below).

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the City's financial statements.

Restatement of Net Position

In 2012, the City is no longer recording deferred revenue related to a contractual agreement with Portage County for the expansion of the waste water treatment plant. As a result, net position of the sewer fund/business-type activities at December 31, 2011 increased by \$4,816,066. The sewer fund net position increased from \$3,449,838 to \$8,265,904 and the business-type activities net position increased from \$23,329,855 to \$28,145,921.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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	Street Construction Maintenance and Repair	Honeywell Project	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Inventory	\$22,043	\$0	\$76,665	\$0	\$2,765	\$101,473
Prepays	38,130	0	5,947	0	11,834	55,911
Unclaimed Monies	2,937	0	0	0	0	2,937
<i>Total Nonspendable</i>	<u>63,110</u>	<u>0</u>	<u>82,612</u>	<u>0</u>	<u>14,599</u>	<u>160,321</u>
<u>Restricted for:</u>						
Revolving Loans	0	7,358,605	0	0	0	7,358,605
Street Maintenance	0	0	1,177,384	0	41,827	1,219,211
Law Enforcement	0	0	0	0	28,710	28,710
Community Development	0	0	0	0	81,608	81,608
Other Purposes	0	0	0	0	1,641	1,641
<i>Total Restricted</i>	<u>0</u>	<u>7,358,605</u>	<u>1,177,384</u>	<u>0</u>	<u>153,786</u>	<u>8,689,775</u>
<u>Committed to:</u>						
Ambulance Service	0	0	0	0	96,373	96,373
Recreation	0	0	0	0	203,086	203,086
Recycling	0	0	0	0	352,798	352,798
Capital Improvements	0	0	0	0	1,529,615	1,529,615
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,181,872</u>	<u>2,181,872</u>
<u>Assigned to:</u>						
Purchases on Order	45,058	0	0	0	0	45,058
Other Purposes	732,523	0	0	0	0	732,523
<i>Total Assigned</i>	<u>777,581</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>777,581</u>
Unassigned (Deficit)	1,823,206	0	0	(88,310)	(3,867)	1,731,029
Total Fund Balances	<u><u>\$2,663,897</u></u>	<u><u>\$7,358,605</u></u>	<u><u>\$1,259,996</u></u>	<u><u>(\$88,310)</u></u>	<u><u>\$2,346,390</u></u>	<u><u>\$13,540,578</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:

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned fund balance (GAAP).
4. Payments from loans and loans issued are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions.
6. 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	Street Construction Maintenance and Repair
GAAP Basis	(\$153,147)	\$301,374	\$84,321
Net Adjustment for Revenue Accruals	281,186	(235,000)	42,331
Beginning Fair Value Adjustment for Investments	(25,698)	0	0
Ending Fair Value Adjustment for Investments	76,750	0	0
Advances In	5,500	0	0
Loan Payments Received	0	318,529	0
Net Adjustment for Expenditures Accruals	131,145	(85,336)	405
Advances Out	(110,647)	0	0
Loans Issued	0	(34,502)	0
Encumbrances	(50,766)	0	(1,757)
Budget Basis	\$154,323	\$265,065	\$125,300

Note 6 – Accountability

The deficits in the Clean Ohio grant special revenue fund of \$1,366, the USDA grant special revenue fund of \$2,501, and the Honeywell Project capital projects fund of \$88,310 were 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 \$130,082 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

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 (STAR Ohio); and

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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;
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, 2012, the City had the following investments:

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Federal Home Loan Bank Notes	\$1,950,300	Less than three years	AAA	17.62 %
Federal Home Loan Mortgage Notes	1,019,084	Less than three years	AAA	9.21
Federal Farm Credit Bank Bonds	664,840	Less than three years	AAA	6.01
Federal National Mortgage Association Notes	3,456,544	Less than three years	AAA	31.23
STAR Ohio	3,977,654	Average 55 days	NA	NA
Total Portfolio	<u>\$11,068,422</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.

City of Ravenna, Ohio
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For the Year Ended December 31, 2012

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.

Note 8 - Receivables

Receivables at December 31, 2012 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 \$6,460,680.

Special assessments expected to be collected in more than one year amount to \$37,368 in the special assessment bond retirement fund. At December 31, 2012 the amount of delinquent special assessments was \$1,377.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) is for 2012 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2011 public utility property taxes become a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The full tax rate for all City operations for the year ended December 31, 2012, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$113,942,720
Other Real Estate	54,578,010
Tangible Personal Property	
Public Utility	3,907,010
Total Assessed Values	\$172,427,740

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, 2012 and for which there is an enforceable legal claim. In the general fund the entire receivable has been deferred since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded revenue while on the modified accrual basis the revenue has been recorded as deferred inflows of resources.

Intergovernmental

A summary of governmental activities intergovernmental receivables as of December 31, 2012, follows:

Governmental Activities	Amounts
Clean Ohio Grant	\$289,251
Estate Tax	166,065
Local Government	147,970
Gasoline and Excise Tax	109,206
Cents per Gallon Tax	53,976
Permissive Tax	46,224
Homestead and Rollback	37,156
USDA Grant	35,929
Ravenna City School District	34,537
Motor Vehicle License Tax	28,428
Miscellaneous	19,785
SAFE Grants	6,320
Emergency Medical Services Grant	4,500
Recreation Grant	1,125
Total	\$980,472

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The business-type activities intergovernmental receivable as of December 31, 2012, consists of the following:

<u>Business-type Activities</u>	<u>Amounts</u>
Portage County	\$4,445,031
Miscellaneous	51,148
Total	<u><u>\$4,496,179</u></u>

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, 2012 is \$4,445,031. 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". 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.

Note 9 – Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2012, consist of an interfund receivable in the general fund for \$249,527 and interfund payables of \$4,500 in the emergency medical service special revenue fund, \$180,091 in the clean Ohio assistance special revenue fund, and \$64,936 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of \$175,256 of transfers out of general fund to nonmajor governmental funds. 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 10 - 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 2012, the City contracted with two companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
Companion Commercial Insurance	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 \$130,082 reported in the internal service fund at December 31, 2012, 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 2011 and 2012 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2011	\$67,483	\$915,190	\$922,254	\$60,419
2012	60,419	1,027,364	957,701	130,082

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,507,466	\$0	\$0	\$1,507,466
Construction in progress	0	2,802,681	0	2,802,681
Total capital assets not being depreciated	<u>1,507,466</u>	<u>2,802,681</u>	<u>0</u>	<u>4,310,147</u>
Capital assets being depreciated				
Buildings	4,890,223	182,055	(10,300)	5,061,978
Improvements other than Buildings	565,175	0	0	565,175
Furniture, Fixtures and Equipment	2,785,585	3,058	(40,417)	2,748,226
Vehicles	3,276,251	471,865	(182,195)	3,565,921
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	710,800	0	0	710,800
Total capital assets being depreciated	<u>70,366,283</u>	<u>656,978</u>	<u>(232,912)</u>	<u>70,790,349</u>
Accumulated depreciation				
Buildings	(2,830,426)	(89,718)	6,018	(2,914,126)
Improvements other than Buildings	(367,431)	26,751	0	(340,680)
Furniture, Fixtures and Equipment	(1,669,885)	(57,852)	37,824	(1,689,913)
Vehicles	(2,323,136)	(151,995)	148,072	(2,327,059)
Infrastructure:				
Streets	(18,979,388)	(713,308)	0	(19,692,696)
Storm Drains	(2,481,822)	(36,094)	0	(2,517,916)
Sidewalks	(3,475,820)	(217,685)	0	(3,693,505)
Fire Hydrants	(655,639)	(20,530)	0	(676,169)
Traffic Lights	(366,469)	(18,734)	0	(385,203)
Total accumulated depreciation	<u>(33,150,016)</u>	<u>(1,279,165) *</u>	<u>191,914</u>	<u>(34,237,267)</u>
Capital assets being depreciated, net	<u>37,216,267</u>	<u>(622,187)</u>	<u>(40,998)</u>	<u>36,553,082</u>
Governmental activities capital assets, net	<u>\$38,723,733</u>	<u>\$2,180,494</u>	<u>(\$40,998)</u>	<u>\$40,863,229</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

* Depreciation expense was charged to governmental activities as follows:

General Government	\$14,303
Security of Persons and Property:	
Police	61,022
Fire	72,814
Leisure Time Activities	30,035
Public Health and Welfare	20,475
Community Environment	256,268
Transportation	788,254
Basic Utility Services	35,994
Total	\$1,279,165

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,565,260	\$0	\$0	\$1,565,260
Construction in progress	0	833,054	0	833,054
Total capital assets not being depreciated	1,565,260	833,054	0	2,398,314
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	93,091	0	(25,132)	67,959
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	52,940,340	0	(25,132)	52,915,208
Accumulated depreciation				
Buildings	(3,529,758)	(141,043)	0	(3,670,801)
Improvements other than Buildings	(7,746,432)	(362,962)	0	(8,109,394)
Furniture, Fixtures and Equipment	(2,467,829)	(259,048)	0	(2,726,877)
Vehicles	(73,291)	(6,661)	25,132	(54,820)
Infrastructure:				
Water Lines	(6,451,018)	(167,550)	0	(6,618,568)
Sewer Lines	(3,007,149)	(62,579)	0	(3,069,728)
Total accumulated depreciation	(23,275,477)	(999,843)	25,132	(24,250,188)
Capital assets being depreciated, net	29,664,863	(999,843)	0	28,665,020
Business-type activities capital assets, net	\$31,230,123	(\$166,789)	\$0	\$31,063,334

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 12 - 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. 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, 2012, members in state and local classifications contributed 10 percent of covered payroll. 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 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14.0 percent. 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. 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, 2012, 2011 and 2010 were \$418,442, \$419,029, and \$383,995, respectively. For 2012, 90.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$10,632 made by the City and \$7,595 made by plan members.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Ohio Police and Fire Pension Fund

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

Funding Policy – 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 \$184,961 and \$192,751 for the year ended December 31, 2012, \$179,361 and \$197,238 for the year ended December 31, 2011, and \$183,027 and \$201,270 for the year ended December 31, 2010, respectively. 89.42 percent for police and 89.53 percent for firefighters has been contributed for 2012 with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Note 13 - 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. 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.

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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of the employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

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, 2012, 2011 and 2010 were \$167,377 \$167,612, and \$218,913, respectively. For 2012, 90.22 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 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, 2012, 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 \$97,921 and \$75,424 for the year ended December 31, 2012, \$94,956 and \$77,180 for the year ended December 31, 2011, and \$96,896 and \$78,758 for the year ended December 31, 2010. 89.42 percent has been contributed for police and 89.53 percent has been contributed for firefighters for 2012 with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Note 14 – Compensated Absences

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 15 – Notes Payable

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

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
Governmental Activities:				
2.375% 2011 Dispatch Center Note	\$170,000	\$0	\$170,000	\$0
2.750% 2012 Dispatch Center Note	0	90,000	0	90,000
1.75% Energy Conservation Note	0	2,673,675	2,673,675	0
Business-Type Activities:				
1.75% Energy Conservation Note - Water	0	1,648,475	1,648,475	0
1.75% Energy Conservation Note - Sewer	0	1,502,850	1,502,850	0
Total Notes	<u>\$170,000</u>	<u>\$5,915,000</u>	<u>\$5,995,000</u>	<u>\$90,000</u>

On August 30, 2011, the City issued notes for the purpose of improving the dispatch center. The notes matured August 29, 2012 and were retired with the proceeds of the 2012 notes, issued August 29, 2012. The 2012 notes mature on August 29, 2013. The notes are backed by the full faith and credit of the City and were recorded in the capital improvements fund.

On April 26, 2012, the City issued notes in anticipation of issuing bonds for energy conservation projects. The notes matured on October 25, 2012 and were retired with the issuance of energy conservation bonds.

Note 16 - Capital Leases

During 2012, the City had lease agreements for an ambulance for the fire department, copy machines, a mailing system, a garage for the street department, and a fueling station. These lease obligations meet the criteria of a capital lease 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, 2012 follows:

<i>Asset:</i>	
Machinery and Equipment	\$17,724
Improvements	82,593
Buildings	600,000
Vehicles	483,439
Historical Cost	<u>1,183,756</u>
Less: Accumulated Depreciation	<u>(367,934)</u>
Total Book Value as of December 31, 2012	<u><u>\$815,822</u></u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
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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
2013	\$106,884	\$9,703
2014	92,767	5,722
2015	85,372	3,731
2016	70,934	931
2017	66,456	0
2018-2022	180,000	0
2023-2024	45,000	0
Total Minimum Lease Payments	647,413	20,087
Less: Amount Representing Interest	(14,264)	(1,198)
Present Value of Minimum Lease	\$633,149	\$18,889

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.

Note 17 - 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, 2012.

Litigation

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 18 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
<i>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
<i>General Obligation Bonds:</i>			
Energy Conservation Improvement Bonds - 2012	2.00-3.00%	3,213,540	2032
Governmental Activities			
<i>General Obligation Bonds:</i>			
Streetscape Bonds - 1993	3.50% to 6.30%	995,000	2013
Streetscape Bonds - 1994	4.20% to 6.35%	171,514	2014
Municipal Building Improvement - 2003	4.00% to 5.00%	635,000	2023
Energy Conservation Improvement Bonds - 2012	2.00-3.00%	2,726,460	2032
<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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

	Outstanding 12/31/11	Additions	(Reductions)	Outstanding 12/31/12	Amounts Due in One Year
Business Type Activities					
OPWC Loans					
Cotton Corners Waterline	\$16,824	\$0	(\$5,609)	\$11,215	\$5,609
Lakewood Road Waterline	33,667	0	(8,416)	25,251	8,416
Hayes Road Waterline	25,948	0	(3,459)	22,489	3,459
Highland Avenue Reconstruction	16,121	0	(1,791)	14,330	1,791
Lake Avenue Water and Storm Loan	17,569	0	(1,528)	16,041	1,528
Chestnut and Washington					
Water and Storm Sewers	40,000	0	(2,500)	37,500	2,500
West Main Street Waterline Replacement	41,250	0	(2,500)	38,750	2,500
Ravenna Area Water Improvements	15,576	0	(890)	14,686	890
New Milford Road Waterline	20,337	0	(1,130)	19,207	1,130
Clinton and Lafayette Waterline	61,105	23,621	(2,118)	82,608	4,236
<i>Total OPWC Loans</i>	<u>288,397</u>	<u>23,621</u>	<u>(29,941)</u>	<u>282,077</u>	<u>32,059</u>
OWDA Loans					
Sewer	212,921	0	(212,921)	0	0
Lovers Lane Windmill Sewer	188,435	0	(13,980)	174,455	14,538
Kent/Ravenna Emergency Waterline	332,422	0	(22,528)	309,894	23,358
WWTP Expansion	11,693,488	0	(875,969)	10,817,519	879,829
Water Meters	990,536	0	(68,112)	922,424	70,447
<i>Total OWDA Loans</i>	<u>13,417,802</u>	<u>0</u>	<u>(1,193,510)</u>	<u>12,224,292</u>	<u>988,172</u>
Energy Conservation Improvement Bonds	0	3,213,540	0	3,213,540	121,725
Premium on Energy Conservation					
Improvement Bonds	0	50,557	0	50,557	0
Capital Leases	27,349	0	(8,460)	18,889	8,949
Compensated Absences	280,813	27,597	(69,881)	238,529	66,821
<i>Total Business Type Activities</i>	<u>\$14,014,361</u>	<u>\$3,315,315</u>	<u>(\$1,301,792)</u>	<u>\$16,027,884</u>	<u>\$1,217,726</u>
Governmental Activities					
General Obligation Bonds					
Streetscape Bonds - 1993	\$155,000	\$0	(\$75,000)	\$80,000	\$80,000
Streetscape Bonds - 1994	40,260	0	(12,702)	27,558	13,761
Municipal Building Improvement	435,000	0	(30,000)	405,000	30,000
Energy Conservation Improvement Bonds	0	2,726,460	0	2,726,460	103,275
Premium on Energy Conservation					
Improvement Bonds	0	42,894	0	42,894	0
<i>Total General Obligation Bonds</i>	<u>630,260</u>	<u>2,769,354</u>	<u>(117,702)</u>	<u>3,281,912</u>	<u>227,036</u>
Special Assessment Bonds					
with Governmental Commitments					
Streetscape Bonds - 1994	149,737	0	(47,298)	102,439	51,239
Library Bonds					
Reed Memorial Library Bonds	4,570,000	0	(115,000)	4,455,000	120,000
Discount on Reed Memorial Library Bonds	(40,733)	0	1,940	(38,793)	0
<i>Total Library Bonds</i>	<u>4,529,267</u>	<u>0</u>	<u>(113,060)</u>	<u>4,416,207</u>	<u>120,000</u>
Capital Leases	628,550	143,831	(139,232)	633,149	102,992
Compensated Absences	871,267	295,538	(307,821)	858,984	309,356
<i>Total Governmental Activities</i>	<u>\$6,809,081</u>	<u>\$439,369</u>	<u>(\$725,113)</u>	<u>\$9,292,691</u>	<u>\$810,623</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

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's overall legal debt margin was \$13,137,355 at December 31, 2012. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012 are as follows:

Business-Type Activities

	OPWC	OWDA Loans		Energy Conservation General Obligation Bonds	
	Loans	Principal	Interest	Principal	Interest
2013	\$32,059	\$988,172	\$95,246	\$121,725	\$87,320
2014	32,058	995,903	87,517	132,545	76,747
2015	26,453	1,003,789	79,630	135,250	74,096
2016	18,034	1,012,044	71,586	137,955	71,393
2017	18,035	1,020,045	63,373	140,660	68,633
2018-2022	74,487	5,229,542	187,553	746,580	299,503
2023-2027	57,040	1,974,797	13,281	838,550	207,345
2028-2032	23,911	0	0	960,275	86,662
Total	\$282,077	\$12,224,292	\$598,186	\$3,213,540	\$971,699

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		Library Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$227,036	\$98,602	\$51,239	\$6,507	\$120,000	\$214,550
2014	156,252	84,739	51,200	3,254	125,000	209,750
2015	144,750	80,116	0	0	130,000	204,750
2016	152,045	76,321	0	0	135,000	199,290
2017	154,340	72,231	0	0	140,000	193,620
2018-2022	833,420	296,357	0	0	795,000	868,440
2023-2027	756,450	178,168	0	0	1,000,000	657,500
2028-2032	814,725	73,526	0	0	1,280,000	380,750
2033	0	0	0	0	730,000	36,500
Total	<u>\$3,239,018</u>	<u>\$960,060</u>	<u>\$102,439</u>	<u>\$9,761</u>	<u>\$4,455,000</u>	<u>\$2,965,150</u>

Note 19 - 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 2012, the City contributed \$4,440, which represents 5 percent of the total contribution. For more information contact Sean Housley, Fiscal Officer at 2961 Kent Road, Silver Lake, Ohio 44224.

Note 20 - 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 2012 was 58.0 percent. During 2012, \$168,316 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, 2012

Note 21 – 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 22 – Significant Commitments

Contractual Commitments

At December 31, 2012, the City’s significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid	Remaining on Contract
Energy Conservation Improvements	\$5,824,998	\$3,635,735	\$2,189,263

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$50,765
Street Construction Maintenance and Repair	1,757
Honeywell Project	2,280,075
Water	936,347
Sewer	518,883
Nonmajor Funds	614,566
Totals	\$4,402,393

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Honorable Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 18, 2013, wherein we noted the City implemented Governmental Accounting Standard Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No.65 *Items Previously Reported as Assets and Liabilities* and restated their December 31, 2011 net position of their governmental activities.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

July 18, 2013



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
SEPTEMBER 24, 2013**