



**Auditor of State
Betty Montgomery**

**CITY OF RAVENNA
PORTAGE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Ravenna
Portage County
210 Parkway
Ravenna, Ohio 44266

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio (the City), as of and for the year ended December 31, 2003 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio, as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Revolving Loan funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended Dec. 31, 2003, the City Implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

April 26, 2005

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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, 2003. 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

- This is the City of Ravenna's first publication of financial statements under the new GASB 34 reporting model.
- Total assets for the City of Ravenna exceeded liabilities by \$40,689,845.
- Total net assets decreased by \$7,795,314. Governmental activities accounted for \$6,260,847 of the total decrease and business-type activities accounted for \$1,534,467 of the total decrease.
- Total capital assets increased \$5,271,803, or 13.1 percent from 2002. Governmental capital assets increased \$721,084 and business-type capital assets increased \$4,550,719.
- The City issued general obligation bonds in the amount of \$635,000 which will be used to finance the renovation of an existing City facility to create a Community Recreation and Fitness Center.
- The City also issued \$5,350,000 in Library Improvement Bonds and entered into a 30-year lease agreement with Reed Memorial Library in accordance with Ohio Revised Code Section 721.22. The debt is supported by a voter approved 1.61 mill tax levy.
- Total liabilities increased \$14,022,953 with significant changes in long-term debt as a result of the acquisition of the debt noted above. Governmental activities liabilities increased \$5,824,827 as a result of the Library bond issuance and the Recreation Center general obligation bond issuance. Business-type activities liabilities increased \$8,198,126 primarily due to an OWDA loan for the Wastewater Treatment Plant Expansion project comprising more than \$9,500,000 of the total.

Using this Annual Financial Report

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

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

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The City of Ravenna as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Ravenna's finances, in a manner similar to private sector businesses. The *statement of net assets* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other major funds presented in total in one column.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ravenna, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Ravenna can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Ravenna maintains thirty-five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Revolving Loan Fund, and General Obligation Bond Retirement fund, all of 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 demonstrate budgetary compliance.

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

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

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

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

The City as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2003 compared to 2002.

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

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$13,526,329	\$14,683,433	\$7,276,033	\$5,192,492	\$20,802,362	\$19,875,925
Capital Assets, Net	21,913,473	21,192,389	23,596,136	19,045,417	45,509,609	40,237,806
Total Assets	35,439,802	35,875,822	30,872,169	24,237,909	66,311,971	60,113,731
Liabilities						
Current Liabilities	1,479,322	1,449,233	3,523,752	1,059,629	5,003,074	2,508,862
Long-Term Liabilities						
Due Within One Year	637,971	527,718	782,651	800,379	1,420,622	1,328,097
Due in More Than One Year	7,725,878	2,041,393	11,472,552	5,750,220	19,198,430	7,791,613
Total Liabilities	9,843,171	4,018,344	15,778,955	7,610,228	25,622,126	11,628,572
Net Assets						
Invested in Capital Assets, Net of Related Debt	19,805,387	19,023,907	14,663,877	12,947,348	34,469,264	31,971,255
Restricted for:						
Capital Projects	1,500,743	2,113,208	0	0	1,500,743	2,113,208
Debt Service	412,791	491,004	0	0	412,791	491,004
Revolving Loans	4,909,892	5,070,272	0	0	4,909,892	5,070,272
Street Construction,						
Maintenance and Repair	663,377	666,335	0	0	663,377	666,335
Emergency Medical Services	159,892	205,800	0	0	159,892	205,800
State Highway	105,931	99,495	0	0	105,931	99,495
Other Purposes	478,067	523,556	0	0	478,067	523,556
Replacement and Improvement	0	0	275,000	275,000	275,000	275,000
Operation and Maintenance	0	0	540,372	430,080	540,372	430,080
Unrestricted (Deficit)	(2,439,449)	3,663,901	(386,035)	2,975,253	(2,825,484)	6,639,154
Total Net Assets	\$25,596,631	\$31,857,478	\$15,093,214	\$16,627,681	\$40,689,845	\$48,485,159

For the City of Ravenna, total assets exceeded total liabilities by \$40,689,845 at the close of 2003. Of the total net assets, capital assets, net of related debt make up \$34,469,264 or 85 percent.

Total assets of the City increased \$6,227,639 from 2002 due mainly to a \$5,271,803 increase in capital assets. The increase in City-wide liabilities of \$14,022,953 was due mainly to the issuance of the general obligation bonds and OWDA loans. The City records OWDA loans and, although the debt is not due until the projects are completed, these funds were received on a draw basis and considered to be committed debt.

Even though governmental net assets decreased \$6,260,847 during 2003, and business-type net assets decreased \$1,534,467, the City of Ravenna was able to report positive balances for combined net assets as well as for the separate governmental and business-type activities.

City of Ravenna, Ohio
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In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the year. However, since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	\$1,854,094	\$4,352,886	\$6,206,980
Operating Grants and Contributions	2,035,239	0	2,035,239
Capital Grants and Contributions	65,000	309,122	374,122
Total Program Revenues	<u>3,954,333</u>	<u>4,662,008</u>	<u>8,616,341</u>
General Revenues			
Property Taxes	597,715	0	597,715
Income Taxes	5,230,274	1,055,353	6,285,627
Grants and Entitlements	1,103,261	0	1,103,261
Investment Earnings	125,589	0	125,589
Miscellaneous	140,652	62,878	203,530
Total General Revenues	<u>7,197,491</u>	<u>1,118,231</u>	<u>8,315,722</u>
<i>Total Revenues</i>	<u>11,151,824</u>	<u>5,780,239</u>	<u>16,932,063</u>
Program Expenses			
General Government	1,203,200	0	1,203,200
Security of Persons and Property:			
Police	2,951,531	0	2,951,531
Fire	1,975,053	0	1,975,053
Leisure Time Activities	713,077	0	713,077
Public Health and Welfare	208,382	0	208,382
Community Environment	1,683,704	0	1,683,704
Transportation	1,707,242	0	1,707,242
Basic Utility Services	859,016	0	859,016
Economic Development	916,855	0	916,855
Intergovernmental	4,969,915	0	4,969,915
Interest and Fiscal Charges	479,464	0	479,464
Water	0	3,934,546	3,934,546
Sewer	0	3,125,392	3,125,392
Total Program Expenses	<u>17,667,439</u>	<u>7,059,938</u>	<u>24,727,377</u>
Transfers	<u>254,768</u>	<u>(254,768)</u>	<u>0</u>
Decrease in Net Assets	(6,260,847)	(1,534,467)	(7,795,314)
Net Assets Beginning of Year	<u>31,857,478</u>	<u>16,627,681</u>	<u>48,485,159</u>
Net Assets End of Year	<u>\$25,596,631</u>	<u>\$15,093,214</u>	<u>\$40,689,845</u>

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Governmental Activities

Several sources fund our governmental activities with the City income tax being the largest component, contributing \$5,230,274, or 46.9 percent of the \$11,151,824 total governmental revenue. The City's income tax rate is 1.8 percent of gross income. Program revenues are the next most important source of revenue generating \$3,954,333 or 35.5 percent. All other revenues including property taxes, grants and entitlements, interest and other revenue accounted for \$1,967,217 or 17.6 percent of total governmental revenue.

Major expense activities, in addition to the Library Bond retirement, are the operating costs associated with security of persons and property. Police, fire and emergency medical services account for \$4,926,584 or 27.9 percent of the total governmental expenditures. The City of Ravenna continued to provide a wide range of community services and programs in 2003. Safe Communities sponsored four programs, the DUI task force sponsored seven community-related events, and the Drug Task Force was involved in four awareness programs. Transportation at 9.7 percent is a significant component of total expenditures. For the past decade the City's continued commitment to maintaining and improving streets, roadways and bridges has become a key component in our economic development efforts.

Business-Type Activities

Business-type activities include the City's water and sewer operations. Net assets for 2003 decreased \$1,534,467. Total capital assets increased \$4,550,719 as a result of the construction in process to the City's upgrade of the Wastewater Treatment Plant. Total liabilities also increased as debt was recorded in the form of an OWDA loan for the construction. The City of Ravenna and Portage County have entered into an agreement to share the cost of the \$13,000,000 Wastewater Treatment Plant Upgrade project with each entity paying for 50 percent of the cost. Portage County's participation in the project is based on the County's reliance upon the City's treatment Facility and its need for additional capacity. Upon completion, the upgrade will expand total plant capacity from 2.3 million gallons per day to 2.8 million gallons per day. As noted previously, this loan is structured on a reimbursement basis, and the note was recorded by the City.

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 on page 16 and accounted for using the modified accrual basis of accounting.

At the end of 2003 the City of Ravenna reported combined governmental fund balances of \$10,127,021. Of this amount, \$5,944,913 constitutes unreserved balances, which is available for spending. The remaining \$4,182,108 is reserved to indicate that is not available for spending due to contractual commitments and purchases of the prior period. Of the total reserved balance, loans receivable to the City's portfolio of Revolving Loans of \$3,894,056 represent 93.1 percent of the reserve. The reserve for encumbrances accounted for 6.9 percent of the reserved fund balances.

Combined governmental funds had total revenues of \$11,687,035 and expenditures of \$18,692,410 leaving a difference of expenditures over revenues of \$7,005,375. Of the total expenditures, \$4,969,915 represents the bond retirement related to the Reed Library project, while the balance is attributable to revenue declines in the other governmental funds. This is a reflection of zero growth in income tax receipts and appreciable declines in interest income received. The City made budgetary adjustments and expenditures reductions of over \$230,000 within the General Fund as a first step in bringing spending in line with revenues. This effort is the first phase of a three-year plan to reduce costs.

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The general fund is the primary operating fund of the City, and at the end of 2003, had a balance of \$2,910,910, an increase of \$110,448 from 2002.

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. During the course of 2003, the City amended its general fund budget on various occasions. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City of Ravenna operates with a legal level of control at the fund level. The control level of the general fund, however, is by department within the fund. This allows the City to make small interdepartmental budget modifications within departments. 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 revenues and related expenditures. As noted previously, the City has begun an initiative in 2003 to reducing operating expenses in an effort to balance the general on an annual budget, regardless of fund balance available.

The original 2003 general fund revenues were budgeted at \$5,206,821 and final budgeted revenues were \$5,733,607. Original appropriations in the general fund were budgeted at \$6,792,086, and final appropriations were \$7,615,740.

The significant differences between the general fund's original and final amended budget are due to charges for services revenue being increased approximately \$574,000 to reflect a reclassification for the funding of a capital reserve fund that was originally established from the general fund. Appropriations changed due to a \$635,000 bond issuance for the Recreation and Fitness Center being recorded.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2003 balances of capital assets as compared to 2002.

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$1,297,800	\$1,297,800	\$1,494,060	\$1,494,060	\$2,791,860	\$2,791,860
Construction in Progress	0	0	5,802,041	1,622,938	5,802,041	1,622,938
Buildings	2,663,730	827,632	2,516,021	2,519,044	5,179,751	3,346,676
Improvements other than Buildings	117,731	124,675	15,287	95,772	133,018	220,447
Furniture, Fixtures and Equipment	771,583	744,371	288,184	334,927	1,059,767	1,079,298
Vehicles	1,483,641	1,652,732	43,150	53,404	1,526,791	1,706,136
Infrastructure	15,578,988	16,545,179	13,437,393	12,925,272	29,016,381	29,470,451
Total Capital Assets	\$21,913,473	\$21,192,389	\$23,596,136	\$19,045,417	\$45,509,609	\$40,237,806

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Management's Discussion and Analysis
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Total capital assets for governmental activities of the City of Ravenna were \$21,913,473, an increase of \$721,084 from 2002. The addition of the recreation and fitness center and street department storage facility on the same site made buildings the most significant governmental asset changed. Capital assets for business-type activities were \$23,596,136, an increase of \$4,550,719 over 2002. This increase is accounted for by the wastewater treatment plant construction in process, along with several water and sewer line projects. Additional information concerning the City's capital assets can be found in Note 9 to the basic financial statements.

Debt

At December 31, 2003, the City of Ravenna had governmental long-term obligations of \$8,363,849 in bonds, fire pension, capital leases and compensated absences outstanding. The Library bonds account for \$5,293,748 or 63.3 percent of the total. At December 31, 2003 the City had \$12,255,203 outstanding in long-term business-type obligations which include bonds, OPWC loans, OWDA loans, capital leases and compensated absences. Table 4 summarizes the City's long-term obligations outstanding.

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	\$1,381,473	\$798,883	\$0	\$0	\$1,381,473	\$798,883
Special Assessment Bonds	433,526	461,116	0	0	433,526	461,116
Library Bonds	5,293,748	0	0	0	5,293,748	0
Mortgage Revenue Bonds	0	0	1,937,409	2,215,311	1,937,409	2,215,311
OPWC Loans	0	0	276,554	266,037	276,554	266,037
OWDA Loans	0	0	9,588,030	3,671,424	9,588,030	3,671,424
Fire Pension	107,696	109,306	0	0	107,696	109,306
Capital Leases	293,087	327,925	0	28,329	293,087	356,254
Compensated Absences	854,319	871,881	453,210	369,498	1,307,529	1,241,379
Total	\$8,363,849	\$2,569,111	\$12,255,203	\$6,550,599	\$20,619,052	\$9,119,710

The general obligation bonds consist of a 1993 street improvement bond, a 1994 street improvement bond and a municipal building improvement bond. The special assessment bond is also related to the 1994 street improvement project and is repaid from the collection of assessments by the county auditor from the specific property owners who benefit from the project. As previously noted, the library improvement bonds represent debt, as principal and interest are paid by the taxes provided by a property tax levy. Governmental long-term obligations, net of the library bonds are \$3,070,101.

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

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

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Current Financial Related Activities

The City of Ravenna is now experiencing the economic slowdown that has impacted many public and private entities over the past two years. In particular, sagging general fund revenues coupled with increasing operating costs caused expenditures to exceed revenue. The strong fund balance carried in the general fund allowed this difference to be made up in 2003. Despite a variety of economic development accomplishments that included the opening of two new industrial facilities that created 200 jobs, the general fund continued to feel the impact of revenue declines. Income tax revenues struggled to get back to 2001 levels and interest income remained low. At the same time, while the City remained committed to maintaining safety services at existing levels, other non-safety services were reduced and, in some cases, eliminated. The net result was an annual general fund budget that relied upon fund balance as part of its funding source for annual operations. As noted earlier, the City began a three-year plan in 2003 to closely monitor and effectively reduce costs in the general fund.

The majority of the activity in the two proprietary funds over the past three years has focused on creating new and expanded revenue sources. During 2003, the City of Ravenna began preparing for the expansion of its Water and Wastewater operations. The City owns Lake Hodgson, a 177 acre lake that contains over 1.2 billion gallons of raw water. The City has capability to process 6 million treated gallons of water per day and uses approximately 30 percent of this finished capacity, leaving the balance marketable to the region. Water infrastructure investments were based upon resource demand, as the City and Portage County Water Resources were re-negotiating their existing bulk water contract to provide the County additional volume for potential sales throughout Portage County. Major infrastructure improvements included the installation of a water transmission line to facilitate sales to the County, as well as technology upgrades for additional water sales to nearby Rootstown. The City of Ravenna created a water resource partnership with the City of Kent through the construction of an Emergency Water Supply transmission line. The project is based on a reciprocal agreement that ensures both communities will continue to have access to water in times of emergency.

The Wastewater Treatment plant upgrade is a joint venture with Portage County that will expand capacity, update existing technology, and improve EPA required standards. The County relies on the City for approximately 15 percent of its countywide wastewater treatment needs. The completed project will provide the ability to process additional .5 million gallons of wastewater per day and will allow both entities to meet future anticipated demand.

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.

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City of Ravenna, Ohio

Statement of Net Assets

December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,565,407	\$2,720,770	\$8,286,177
Cash and Cash Equivalents			
With Fiscal Agents	469	1,586	2,055
Investments with Fiscal Agents	0	410,490	410,490
Materials and Supplies Inventory	76,519	129,410	205,929
Accounts Receivable	274,520	409,972	684,492
Internal Balances	29,399	(29,399)	0
Intergovernmental Receivable	1,076,628	3,318,950	4,395,578
Prepaid Items	86,416	32,600	119,016
Income Taxes Receivable	1,023,188	210,479	1,233,667
Property Taxes Receivable	662,946	0	662,946
Deferred Charges	0	71,175	71,175
Special Assessments Receivable	470,524	0	470,524
Loans Receivable	4,260,313	0	4,260,313
Nondepreciable Capital Assets	1,297,800	7,296,101	8,593,901
Depreciable Capital Assets, Net	20,615,673	16,300,035	36,915,708
<i>Total Assets</i>	<u>35,439,802</u>	<u>30,872,169</u>	<u>66,311,971</u>
Liabilities			
Accounts Payable	237,976	108,712	346,688
Accrued Wages	140,670	68,184	208,854
Intergovernmental Payable	267,659	72,745	340,404
Matured Compensated Absences Payable	49,376	0	49,376
Matured Bonds Payable	469	0	469
Accrued Interest Payable	52,369	6,784	59,153
Claims Payable	83,819	0	83,819
Deferred Revenue	646,984	3,267,327	3,914,311
Long-Term Liabilities:			
Due Within One Year	637,971	782,651	1,420,622
Due In More Than One Year	7,725,878	11,472,552	19,198,430
<i>Total Liabilities</i>	<u>9,843,171</u>	<u>15,778,955</u>	<u>25,622,126</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,805,387	14,663,877	34,469,264
Restricted for:			
Capital Projects	1,500,743	0	1,500,743
Debt Service	412,791	0	412,791
Revolving Loans	4,909,892	0	4,909,892
Street Construction, Maintenance and Repair	663,377	0	663,377
Emergency Medical Services	159,892	0	159,892
State Highway	105,931	0	105,931
Other Purposes	478,067	0	478,067
Replacement and Improvement	0	275,000	275,000
Operation and Maintenance	0	540,372	540,372
Unrestricted (Deficit)	(2,439,449)	(386,035)	(2,825,484)
<i>Total Net Assets</i>	<u>\$25,596,631</u>	<u>\$15,093,214</u>	<u>\$40,689,845</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,203,200	\$203,549	\$4,416	\$0
Security of Persons and Property:				
Police	2,951,531	460,021	144,607	0
Fire	1,975,053	565,631	27,900	0
Leisure Time Activities	713,077	283,920	5,250	65,000
Public Health and Welfare	208,382	31,326	3,407	0
Community Environment	1,683,704	174,109	1,105,506	0
Transportation	1,707,242	0	0	0
Basic Utility Services	859,016	134,818	0	0
Economic Development	916,855	720	744,153	0
Intergovernmental	4,969,915	0	0	0
Interest and Fiscal Charges	479,464	0	0	0
<i>Total Governmental Activities</i>	<u>17,667,439</u>	<u>1,854,094</u>	<u>2,035,239</u>	<u>65,000</u>
Business-Type Activities:				
Water	3,934,546	2,065,980	0	160,471
Sewer	3,125,392	2,286,906	0	148,651
<i>Total Business-Type Activities</i>	<u>7,059,938</u>	<u>4,352,886</u>	<u>0</u>	<u>309,122</u>
<i>Total</i>	<u>\$24,727,377</u>	<u>\$6,206,980</u>	<u>\$2,035,239</u>	<u>\$374,122</u>

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$995,235)	\$0	(\$995,235)
(2,346,903)	0	(2,346,903)
(1,381,522)	0	(1,381,522)
(358,907)	0	(358,907)
(173,649)	0	(173,649)
(404,089)	0	(404,089)
(1,707,242)	0	(1,707,242)
(724,198)	0	(724,198)
(171,982)	0	(171,982)
(4,969,915)	0	(4,969,915)
(479,464)	0	(479,464)
<u>(13,713,106)</u>	<u>0</u>	<u>(13,713,106)</u>
0	(1,708,095)	(1,708,095)
<u>0</u>	<u>(689,835)</u>	<u>(689,835)</u>
<u>0</u>	<u>(2,397,930)</u>	<u>(2,397,930)</u>
<u>(13,713,106)</u>	<u>(2,397,930)</u>	<u>(16,111,036)</u>
597,715	0	597,715
3,028,773	0	3,028,773
504,885	0	504,885
343,459	0	343,459
274,765	0	274,765
1,078,392	0	1,078,392
0	1,055,353	1,055,353
1,103,261	0	1,103,261
125,589	0	125,589
<u>140,652</u>	<u>62,878</u>	<u>203,530</u>
7,197,491	1,118,231	8,315,722
<u>254,768</u>	<u>(254,768)</u>	<u>0</u>
<u>7,452,259</u>	<u>863,463</u>	<u>8,315,722</u>
(6,260,847)	(1,534,467)	(7,795,314)
<u>31,857,478</u>	<u>16,627,681</u>	<u>48,485,159</u>
<u>\$25,596,631</u>	<u>\$15,093,214</u>	<u>\$40,689,845</u>

City of Ravenna, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,602,726	\$649,579	\$2,313,102	\$5,565,407
Cash and Cash Equivalents				
With Fiscal Agents	0	0	469	469
Materials and Supplies Inventory	20,921	0	55,598	76,519
Accounts Receivable	19,282	0	255,238	274,520
Interfund Receivable	22,323	0	0	22,323
Intergovernmental Receivable	672,122	0	404,506	1,076,628
Prepaid Items	61,922	0	24,494	86,416
Income Taxes Receivable	583,719	0	439,469	1,023,188
Property Taxes Receivable	662,946	0	0	662,946
Special Assessments Receivable	10,137	0	460,387	470,524
Loans Receivable	0	4,260,313	0	4,260,313
<i>Total Assets</i>	<u>\$4,656,098</u>	<u>\$4,909,892</u>	<u>\$3,953,263</u>	<u>\$13,519,253</u>
Liabilities				
Accounts Payable	\$26,298	\$0	\$211,678	\$237,976
Accrued Wages	97,889	0	42,781	140,670
Intergovernmental Payable	80,464	0	51,600	132,064
Matured Compensated Absences Payable	46,751	0	2,625	49,376
Interfund Payable	0	0	22,323	22,323
Matured Bonds Payable	0	0	469	469
Deferred Revenue	1,493,786	0	1,315,568	2,809,354
<i>Total Liabilities</i>	<u>1,745,188</u>	<u>0</u>	<u>1,647,044</u>	<u>3,392,232</u>
Fund Balances				
Reserved for Encumbrances	48,067	27,560	212,001	287,628
Reserved for Loans Receivable	0	3,894,056	0	3,894,056
Reserved for Unclaimed Monies	424	0	0	424
Unreserved, Undesignated, Reported in:				
General Fund	2,862,419	0	0	2,862,419
Special Revenue Funds	0	988,276	865,595	1,853,871
Capital Projects Funds	0	0	1,228,623	1,228,623
<i>Total Fund Balances</i>	<u>2,910,910</u>	<u>4,909,892</u>	<u>2,306,219</u>	<u>10,127,021</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,656,098</u>	<u>\$4,909,892</u>	<u>\$3,953,263</u>	<u>\$13,519,253</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Total Governmental Fund Balances	\$10,127,021
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,913,473
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	15,962
Income Taxes	726,517
Intergovernmental	729,916
Charges for Services	219,451
Special Assessments	470,524
Total	2,162,370
Internal service funds are used by management to charge the costs of insurance and materials and supplies to individual funds. The assets and liabilities of the internal service fund are included as part of governmental activities in the statement of net assets.	
Net Assets	(83,819)
Internal Balances	29,399
Total	(54,420)
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(135,595)
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(52,369)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(1,381,473)
Special Assessment Bonds	(433,526)
Library Bonds	(5,350,000)
Discount on Library Bonds	56,252
Fire Pension Payable	(107,696)
Capital Leases Payable	(293,087)
Compensated Absences	(854,319)
Total	(8,363,849)
<i>Net Assets of Governmental Activities</i>	\$25,596,631

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, 2003

	General	Revolving Loan	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$611,856	\$0	\$0	\$0	\$611,856
Income Tax	2,987,186	0	0	2,170,191	5,157,377
Intergovernmental	1,131,636	744,153	0	1,822,801	3,698,590
Interest	101,810	7,935	12,341	3,503	125,589
Fees, Licenses and Permits	63,168	0	0	0	63,168
Fines and Forfeitures	112,583	0	0	6,459	119,042
Rentals	0	0	0	9,640	9,640
Charges for Services	875,940	0	0	761,479	1,637,419
Contributions and Donations	0	0	0	70,765	70,765
Special Assessments	0	0	0	52,937	52,937
Other	21,176	0	0	119,476	140,652
<i>Total Revenues</i>	<u>5,905,355</u>	<u>752,088</u>	<u>12,341</u>	<u>5,017,251</u>	<u>11,687,035</u>
Expenditures					
Current:					
General Government	1,207,910	0	0	21,359	1,229,269
Security of Persons and Property:					
Police	2,821,344	0	0	208,173	3,029,517
Fire	1,143,772	0	0	713,668	1,857,440
Leisure Time Activities	0	0	0	699,339	699,339
Public Health and Welfare	193,955	0	0	0	193,955
Community Environment	264,536	0	0	1,178,990	1,443,526
Transportation	0	0	0	1,083,163	1,083,163
Basic Utility Services	824,060	0	0	0	824,060
Economic Development	4,387	912,468	0	0	916,855
Capital Outlay	0	0	0	1,876,051	1,876,051
Intergovernmental	0	0	4,969,915	0	4,969,915
Debt Service:					
Principal Retirement	2,589	0	52,410	61,449	116,448
Interest and Fiscal Charges	10,452	0	367,224	75,196	452,872
<i>Total Expenditures</i>	<u>6,473,005</u>	<u>912,468</u>	<u>5,389,549</u>	<u>5,917,388</u>	<u>18,692,410</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(567,650)</u>	<u>(160,380)</u>	<u>(5,377,208)</u>	<u>(900,137)</u>	<u>(7,005,375)</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	635,000	0	5,350,000	0	5,985,000
Discount on General Obligation Bonds Issued	0	0	(58,192)	0	(58,192)
Transfers In	276,542	0	85,400	241,515	603,457
Transfers Out	(233,444)	0	0	(115,245)	(348,689)
<i>Total Other Financing Sources (Uses)</i>	<u>678,098</u>	<u>0</u>	<u>5,377,208</u>	<u>126,270</u>	<u>6,181,576</u>
<i>Net Change in Fund Balances</i>	110,448	(160,380)	0	(773,867)	(823,799)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,800,462</u>	<u>5,070,272</u>	<u>0</u>	<u>3,080,086</u>	<u>10,950,820</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,910,910</u></u>	<u><u>\$4,909,892</u></u>	<u><u>\$0</u></u>	<u><u>\$2,306,219</u></u>	<u><u>\$10,127,021</u></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, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$823,799)

*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 capital outlays exceeded depreciation in the current period.

Capital Outlay	2,086,626	
Depreciation	<u>(1,365,542)</u>	
 Total		 721,084

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

Property Taxes	(14,141)	
Income Taxes	72,897	
Intergovernmental	(565,855)	
Charges for Services	24,213	
Special Assessments	<u>(52,325)</u>	
 Total		 (535,211)

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

General Obligation Bonds Issued	(635,000)	
Reed Memorial Library Bonds Issued	(5,350,000)	
Discount on Library Bonds Issued	<u>58,192</u>	
 Total		 (5,926,808)

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. 116,448

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	(24,652)	
Amortization of Discount	<u>(1,940)</u>	
 Total		 (26,592)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds.

Compensated Absences	17,562	
Pension Obligation	<u>75,847</u>	
 Total		 93,409

The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.

Change in Net Assets	185,785	
Internal Balances	<u>(65,163)</u>	
 Total		 <u>120,622</u>

Change in Net Assets of Governmental Activities (\$6,260,847)

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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Local Taxes	\$637,107	\$637,107	\$611,856	(\$25,251)
Income Tax	2,957,304	2,957,304	3,038,240	80,936
Intergovernmental	954,600	918,623	1,085,126	166,503
Interest	178,500	178,100	101,810	(76,290)
Fees, Licenses and Permits	77,235	64,420	63,168	(1,252)
Fines and Forfeitures	161,414	162,768	112,583	(50,185)
Charges for Services	236,795	811,019	876,401	65,382
Contributions and Donations	1,500	400	0	(400)
Other	2,366	3,866	2,545	(1,321)
<i>Total Revenues</i>	<u>5,206,821</u>	<u>5,733,607</u>	<u>5,891,729</u>	<u>158,122</u>
Expenditures				
Current:				
General Government	1,341,289	1,424,465	1,241,631	182,834
Security of Persons and Property:				
Police	2,900,238	2,913,789	2,751,255	162,534
Fire	1,257,733	1,300,171	1,142,388	157,783
Public Health and Welfare	206,112	210,111	195,135	14,976
Community Environment	282,175	282,175	261,541	20,634
Basic Utility Services	191,914	872,404	828,805	43,599
Economic Development	10,825	10,825	4,387	6,438
Debt Service:				
Principal Retirement	590,000	590,000	590,000	0
Interest and Fiscal Charges	11,800	11,800	11,800	0
<i>Total Expenditures</i>	<u>6,792,086</u>	<u>7,615,740</u>	<u>7,026,942</u>	<u>588,798</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,585,265)</u>	<u>(1,882,133)</u>	<u>(1,135,213)</u>	<u>746,920</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	635,000	635,000	0
Advances In	96,166	126,166	64,057	(62,109)
Advances Out	(86,166)	(126,165)	(68,640)	57,525
Transfers In	361,350	361,248	276,542	(84,706)
Transfers Out	(234,201)	(234,201)	(233,444)	757
<i>Total Other Financing Sources (Uses)</i>	<u>137,149</u>	<u>762,048</u>	<u>673,515</u>	<u>(88,533)</u>
<i>Net Change in Fund Balance</i>	<u>(1,448,116)</u>	<u>(1,120,085)</u>	<u>(461,698)</u>	<u>658,387</u>
<i>Fund Balance Beginning of Year</i>	<u>2,987,350</u>	<u>2,987,350</u>	<u>2,987,350</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>15,372</u>	<u>15,372</u>	<u>15,372</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,554,606</u>	<u>\$1,882,637</u>	<u>\$2,541,024</u>	<u>\$658,387</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$576,750	\$728,350	\$553,864	(\$174,486)
Interest	68,000	66,400	7,935	(58,465)
<i>Total Revenues</i>	644,750	794,750	561,799	(232,951)
Expenditures				
Current:				
Economic Development	634,700	1,215,630	931,876	283,754
<i>Net Change in Fund Balance</i>	10,050	(420,880)	(370,077)	50,803
<i>Fund Balance Beginning of Year</i>	992,096	992,096	992,096	0
<i>Fund Balance End of Year</i>	<u>\$1,002,146</u>	<u>\$571,216</u>	<u>\$622,019</u>	<u>\$50,803</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$996,971	\$1,018,719	\$2,015,690	\$0
Materials and Supplies Inventory	119,258	10,152	129,410	0
Accounts Receivable	193,860	216,112	409,972	0
Intergovernmental Receivable	350	3,318,600	3,318,950	0
Prepaid Items	18,386	14,214	32,600	0
Income Taxes Receivable	210,479	0	210,479	0
<i>Total Current Assets</i>	<u>1,539,304</u>	<u>4,577,797</u>	<u>6,117,101</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	705,080	0	705,080	0
Investments with Fiscal Agent	410,490	0	410,490	0
Cash and Cash Equivalents with Fiscal Agents	1,586	0	1,586	0
Deferred Charges	71,175	0	71,175	0
Nondepreciable Capital Assets	1,211,600	6,084,501	7,296,101	0
Depreciable Capital Assets, Net	13,208,355	3,091,680	16,300,035	0
<i>Total Noncurrent Assets</i>	<u>15,608,286</u>	<u>9,176,181</u>	<u>24,784,467</u>	<u>0</u>
<i>Total Assets</i>	<u>\$17,147,590</u>	<u>\$13,753,978</u>	<u>\$30,901,568</u>	<u>\$0</u>

See accountant's compilation report

(continued)

City of Ravenna, Ohio
Statement of Fund Net Assets
Proprietary Funds (continued)
December 31, 2003

	Enterprise			Internal Service
	Water	Sewer	Total	
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	\$56,145	\$52,567	\$108,712	\$0
Accrued Wages	36,325	31,859	68,184	0
Intergovernmental Payable	39,116	33,629	72,745	0
Compensated Absences Payable	92,448	84,075	176,523	0
Deferred Revenue	0	3,267,327	3,267,327	0
OPWC Loans Payable	20,803	0	20,803	0
OWDA Loans Payable	0	290,325	290,325	0
Claims Payable	0	0	0	83,819
<i>Total Current Liabilities</i>	<u>244,837</u>	<u>3,759,782</u>	<u>4,004,619</u>	<u>83,819</u>
<i>Current Liabilities Payable from Restricted Assets:</i>				
Mortgage Revenue Bonds Payable	295,000	0	295,000	0
Accrued Interest Payable	6,784	0	6,784	0
<i>Total Current Liabilities Payable from Restricted Assets</i>	<u>301,784</u>	<u>0</u>	<u>301,784</u>	<u>0</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	132,642	144,045	276,687	0
Mortgage Revenue Bonds Payable	1,642,409	0	1,642,409	0
OPWC Loans Payable	255,751	0	255,751	0
OWDA Loans Payable	309,024	8,988,681	9,297,705	0
<i>Total Long-Term Liabilities</i>	<u>2,339,826</u>	<u>9,132,726</u>	<u>11,472,552</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,886,447</u>	<u>12,892,508</u>	<u>15,778,955</u>	<u>83,819</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	11,968,138	2,695,739	14,663,877	0
Restricted for:				
Replacement and Improvement	275,000	0	275,000	0
Operation and Maintenance	540,372	0	540,372	0
Unrestricted (Deficit)	<u>1,477,633</u>	<u>(1,834,269)</u>	<u>(356,636)</u>	<u>(83,819)</u>
<i>Total Net Assets (Deficit)</i>	<u>\$14,261,143</u>	<u>\$861,470</u>	<u>15,122,613</u>	<u>(\$83,819)</u>
Net assets reported for business-type activities in the statement of net assets are different because they include accumulated underpayments to the internal service fund:			<u>(29,399)</u>	
Net assets of business-type activities			<u>\$15,093,214</u>	

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services Pledged as Security for Revenue Bonds	\$376,413	\$0	\$376,413	\$0
Charges for Services - Unpledged	1,678,911	2,191,361	3,870,272	1,491,540
Tap-In Fees	10,656	95,545	106,201	0
Other	27,593	35,285	62,878	0
<i>Total Operating Revenues</i>	<u>2,093,573</u>	<u>2,322,191</u>	<u>4,415,764</u>	<u>1,491,540</u>
Operating Expenses				
Personal Services	1,680,732	1,342,244	3,022,976	0
Materials and Supplies	415,490	152,677	568,167	0
Contractual Services	1,392,708	1,390,649	2,783,357	17,157
Depreciation	377,524	92,692	470,216	0
Claims	0	0	0	1,288,598
<i>Total Operating Expenses</i>	<u>3,866,454</u>	<u>2,978,262</u>	<u>6,844,716</u>	<u>1,305,755</u>
<i>Operating Income (Loss)</i>	<u>(1,772,881)</u>	<u>(656,071)</u>	<u>(2,428,952)</u>	<u>185,785</u>
Non-Operating Revenues (Expenses)				
Municipal Income Taxes	1,055,353	0	1,055,353	0
Interest and Fiscal Charges	(103,355)	(177,030)	(280,385)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>951,998</u>	<u>(177,030)</u>	<u>774,968</u>	<u>0</u>
<i>Income (Loss) before Transfers and Capital Contributions</i>	<u>(820,883)</u>	<u>(833,101)</u>	<u>(1,653,984)</u>	<u>185,785</u>
Capital Contributions	160,471	148,651	309,122	0
Transfers In	0	21,774	21,774	0
Transfers Out	0	(276,542)	(276,542)	0
<i>Change in Net Assets</i>	<u>(660,412)</u>	<u>(939,218)</u>	<u>(1,599,630)</u>	<u>185,785</u>
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>14,921,555</u>	<u>1,800,688</u>		<u>(269,604)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$14,261,143</u>	<u>\$861,470</u>		<u>(\$83,819)</u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net revenue of the internal service fund reduces expenses in the business-type activities.

65,163

Change in net assets of business-type activities

(\$1,534,467)

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Enterprise			Internal Service
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,055,553	\$2,168,545	\$4,224,098	\$0
Special Assessments	704	1,313	2,017	0
Cash Received from Interfund Services Provided	0	0	0	1,491,540
Tap In Fees	10,656	95,545	106,201	0
Other Operating Revenues	24,739	35,285	60,024	0
Cash Payments to Suppliers for Materials and Supplies	(420,334)	(139,860)	(560,194)	0
Cash Payments for Employee Services and Benefits	(1,663,168)	(1,418,496)	(3,081,664)	0
Cash Payments for Contractual Services	(1,390,054)	(1,442,404)	(2,832,458)	0
Cash Payments for Goods and Services	0	0	0	(17,157)
Cash Payments for Claims	0	0	0	(1,474,383)
<i>Net Cash Used for Operating Activities</i>	<u>(1,381,904)</u>	<u>(700,072)</u>	<u>(2,081,976)</u>	<u>0</u>
Cash Flows from Noncapital Financing Activities				
Municipal Income Tax	1,058,767	0	1,058,767	0
Intergovernmental	0	(3,940,516)	(3,940,516)	0
Transfers In	0	21,774	21,774	0
Transfers Out	0	(276,542)	(276,542)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>1,058,767</u>	<u>(4,195,284)</u>	<u>(3,136,517)</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(103,276)	(4,917,658)	(5,020,934)	0
Capital Grants	160,471	148,651	309,122	0
Proceeds from OWDA Loans	309,024	9,838,279	10,147,303	0
Proceeds from OPWC Loans	30,556	0	30,556	0
Principal Paid on Revenue Bonds	(280,000)	0	(280,000)	0
Principal Paid on OWDA Loans	0	(290,181)	(290,181)	0
Principal Paid on OPWC Loans	(20,039)	0	(20,039)	0
Principal Paid on Capital Leases	0	(28,329)	(28,329)	0
Interest Paid on Revenue Bonds	(90,305)	0	(90,305)	0
Interest Paid on OWDA Loans	0	(176,110)	(176,110)	0
Interest Paid on Capital Leases	0	(1,471)	(1,471)	0
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>6,431</u>	<u>4,573,181</u>	<u>4,579,612</u>	<u>0</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(316,706)	(322,175)	(638,881)	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,430,833</u>	<u>1,340,894</u>	<u>3,771,727</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,114,127</u>	<u>\$1,018,719</u>	<u>\$3,132,846</u>	<u>\$0</u>

(continued)

City of Ravenna, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2003

	Enterprise			Internal Service
	Water	Sewer	Total	
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities				
Operating Income (Loss)	(\$1,772,881)	(\$656,071)	(\$2,428,952)	\$185,785
Adjustments:				
Depreciation	377,524	92,692	470,216	0
(Increase) Decrease in Assets:				
Accounts Receivable	(1,921)	(4,676)	(6,597)	0
Intergovernmental Receivable	0	(16,827)	(16,827)	0
Materials and Supplies Inventory	(22,677)	1,403	(21,274)	0
Prepaid Items	(1,463)	(1,255)	(2,718)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	14,897	(159,810)	(144,913)	0
Accrued Wages	6,082	5,537	11,619	0
Compensated Absences Payable	32,110	51,602	83,712	0
Intergovernmental Payable	(13,575)	(12,667)	(26,242)	0
Claims Payable	0	0	0	(185,785)
<i>Total Adjustments</i>	390,977	(44,001)	346,976	(185,785)
<i>Net Cash Used for Operating Activities</i>	(\$1,381,904)	(\$700,072)	(\$2,081,976)	\$0

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity in Pooled Cash and
Cash Equivalents

\$17,697

Liabilities

Deposits Held and Due to Others

\$17,697

See accompanying notes to the basic financial statements

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City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 1 - Reporting Entity and Basis of Presentation

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

A. Reporting Entity

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

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

The City participates in the Metro Critical Response and Rescue Team which is defined as jointly governed organization. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. This organization is discussed in Note 17 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 18 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 19 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.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Ravenna have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

General Obligation Bond Retirement The general obligation bond retirement fund accounts for permissive sales tax revenue collections for the payment of general long-term debt principal, interest and related costs.

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

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

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

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

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

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

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

E. Cash and Cash Equivalents

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

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

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

During the year, the City's investments were limited to certificates of deposit, STAROhio and United States Treasury Notes.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$101,810, which includes \$66,940 assigned from other City funds.

Investments of the cash management pool and investments purchased by the City are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

G. Inventory

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

H. Bond Issuance Costs

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars for governmental activities and twenty thousand dollars for business type activities. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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 - 10 years	5 - 10 years
Vehicles	5 - 10 years	5 - 10 years
Infrastructure:		
Streets	12 - 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

During 2003, the City reported infrastructure for the first time which consists of streets, storm drains, sidewalks, fire hydrants and traffic lights.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

J. Interfund Balances

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

K. Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are recognized 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.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include recreation, recycling and law enforcement.

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

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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.

Q. Extraordinary and Special Items

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

R. 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

S. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control is at the department level for the general fund and at the fund level for all other funds. The Director of Finance is authorized to transfer appropriations between line items within an object of any department. Any budgetary modifications at the legal level 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 budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect at the time 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 Prior Year Fund Equity

A. Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparisons Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatements explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the City.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Net Assets/Fund Balance

At December 31, 2002 the business type activities had the following restatements. These restatements had the following effect on fund equity as it was previously reported.

	Water	Sewer	Business-Type Activities
Fund Equity,			
December 31, 2002	\$13,062,911	\$4,111,895	\$17,174,806
Capital Assets	1,763,114	(1,907,043)	(143,929)
Income Taxes Receivable	95,530	0	95,530
OWDA Loans Payable	0	(403,613)	(403,613)
Accrued Interest Payable	0	(551)	(551)
Internal Balances			(94,562)
Adjusted Net Assets			
December 31, 2002	<u>\$14,921,555</u>	<u>\$1,800,688</u>	<u>\$16,627,681</u>

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	General	Revolving Loan	Nonmajor	Total
Fund Balances, December 31, 2002	\$2,804,622	\$5,070,272	\$3,051,938	\$10,926,832
Income Taxes Receivable	(51,296)	0	6,241	(45,055)
GASB Interpretation No. 6	47,136	0	21,907	69,043
Adjusted Fund Balances, December 31, 2002	<u>\$2,800,462</u>	<u>\$5,070,272</u>	<u>\$3,080,086</u>	10,950,820
GASB 34 Adjustments:				
Capital Assets				21,192,389
Pension Obligations				(211,442)
Accrued Interest				(27,717)
Internal Service Fund				(269,604)
Internal Balance				94,562
Long-Term Liabilities:				
Compensated Absences				(871,881)
General Obligation Bonds				(798,883)
Special Assessment Bonds				(461,116)
Capital Leases				(327,925)
Fire Pension				(109,306)
Long-Term (Deferred) Assets				<u>2,697,581</u>
Governmental Activities Net Assets, December 31, 2002				<u>\$31,857,478</u>

Note 4 – Accountability

The following funds had deficit fund balances/net assets as of December 31, 2003:

	<u>Amount of Deficit</u>
<i>Special Revenue Funds:</i>	
DUI Task Force	\$286
Area Agency on Aging	178
<i>Internal Service Fund:</i>	
Group Hospitalization Reserve	83,819

The deficits in the DUI Task Force and Area Agency on Aging special revenue funds are caused by revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The Group Hospitalization Reserve internal service fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit and provides transfers when cash is required, not when accruals occur.

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 5 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance		
	General	Revolving Loan
GAAP Basis	\$110,448	(\$160,380)
Net Adjustment for		
Revenue Accruals	(13,626)	540,042
Advances In	64,057	0
Loan Payments Received	0	(730,331)
Net Adjustment for		
Expenditure Accruals	97,765	(904,316)
Advances Out	(68,640)	0
Loans Issued	0	912,468
Debt Principal Retirement	(590,000)	0
Encumbrances	(61,702)	(27,560)
Budget Basis	(\$461,698)	(\$370,077)

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to 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, the 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 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 must only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits At year-end, the carrying amount of the City's deposits was \$722,364 and the bank balance was \$35,074 all of which was covered by federal depository insurance.

Investments Investments are classified under guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
United States Treasury Notes	\$410,490	\$410,490
STAROhio	0	7,583,565
Total Investments	\$410,490	\$7,994,055

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$8,305,929	\$410,490
STAROhio	(7,583,565)	7,583,565
GASB Statement No. 3	\$722,364	\$7,994,055

Note 7 - Receivables

Receivables at December 31, 2003, consisted primarily of municipal income taxes, property taxes, accounts (billings for user charged services including unbilled utility services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. Loans receivable presented in the special revenue funds represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under Federal Grant programs. The loans bear interest at annual rates ranging between zero and seven percent. The loans are to be repaid over periods ranging from five to thirteen years. Loans expected to be collected in more than one year is \$3,894,056.

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

Special assessments expected to be collected in more than one year amount to \$405,936 in the special assessment bond retirement fund. At December 31, 2003 the amount of delinquent special assessments was \$10,137.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes become a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The full tax rate for all City operations for the year ended December 31, 2003, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$154,274,420
Tangible Personal Property	40,215,984
Public Utility Property	<u>5,740,350</u>
Total	<u><u>\$200,230,754</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Ravenna. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. In the general fund the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

B. Income Taxes

The City levies a municipal income tax of 1.8 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 1.8 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, 47.31 percent of the annual income tax proceeds were credited to the general fund, 8.17 percent to street construction, maintenance and repair, 5.56 percent to recreation levy, and 4.45 percent is credited to emergency management services special revenue funds, 2.78 percent to park improvement and 14.67 percent to capital improvements capital projects fund and 17.06 percent to water enterprise fund.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

C. Intergovernmental

A summary of intergovernmental receivables as of December 31, 2003, follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Government and Local Government	
Revenue Assistance	\$364,246
Estate Tax	257,766
DUI Task Force Grant	102,425
Cents per Gallon Tax	77,574
Gasoline and Excise Tax	69,261
Permissive Tax	63,641
Motor Vehicle License Tax	39,844
SAFE Grants	38,769
Homestead and Rollback	30,220
Ordinance Fees	11,095
FEMA Reimbursement	9,981
Recycling Grant	9,106
Emergency Services Grant	2,700
Total	<u><u>\$1,076,628</u></u>

During 1994, the City of Ravenna entered into a contractual agreement with Portage County for the construction of a sewage treatment facility and sewer lines. The project was financed by a \$5,476,391 Ohio Water Development Authority loan which is jointly signed by the City and the County. The County is responsible for 17.16 percent of the total loan commitment. The total amount owed to the City as of December 31, 2003 is \$468,763. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.

During 2003, the City of Ravenna entered into a contractual agreement with Portage County for the expansion of the waste water treatment plant. The project is being financed by an Ohio Water Development Authority loan which is jointly signed by the City and the County. As of December 31, 2003 the City has received \$5,597,128 on this loan but the loan is not yet finalized. The County is responsible for 50 percent of the total loan commitment. The total amount owed to the City as of December 31, 2003 is \$2,798,564. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 8 – Interfund Transactions

A. Interfund Balances

Interfund balances at December 31, 2003, consist of the following interfund receivables and payables:

	Interfund Receivable
Interfund Payable	General
<i>Nonmajor Governmental Funds:</i>	
EMS Grant	\$1,755
SAFE Grants	17,591
DUI Task Force	2,977
Total	\$22,323

The balances in the EMS, SAFE and DUI task force grants funds resulted from advances made from the general fund during 2003. 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.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2003, consisted of the following:

Transfers To	Transfers From			Total
	General	Sewer	Nonmajor Governmental Funds	
<i>Major Funds:</i>				
General	\$0	\$276,542	\$0	\$276,542
General Obligation				
Bond Retirement	0	0	85,400	85,400
Sewer	21,774	0	0	21,774
Nonmajor Governmental Funds	211,670	0	29,845	241,515
Total	\$233,444	\$276,542	\$115,245	\$625,231

The transfer from the general fund to the sewer fund was made to cover debt payments. The general fund also transferred money to the fire pension, EMS and recycling special revenue funds for the fire pension debt payment and for supplemental operating funds.

The transfer from the sewer fund to the general fund was a return of excess funds previously transferred to the sewer fund in order to contract for a sewer project. Once the sewer loan proceeds were received, it was necessary to return the excess funds.

A transfer was made from the capital improvements fund to the general obligation bond retirement and special assessment bond retirement fund for debt payments on the downtown streetscape improvement loan. The recreation levy fund transferred money to the area agency on aging fund for supplemental operating funds.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 9 - Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,297,800	\$0	\$0	\$1,297,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets being depreciated				
Buildings	3,024,558	1,916,898	0	4,941,456
Improvements other than Buildings	341,545	9,390	0	350,935
Furniture, Fixtures and Equipment	1,463,530	139,022	0	1,602,552
Vehicles	2,571,449	21,316	0	2,592,765
Infrastructure:				
Streets	43,223,959	0	0	43,223,959
Storm Drains	4,648,160	0	0	4,648,160
Sidewalks	8,662,500	0	0	8,662,500
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	605,800	0	0	605,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated	66,077,101	2,086,626	0	68,163,727
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation				
Buildings	(2,196,926)	(80,800)	0	(2,277,726)
Improvements other than Buildings	(216,870)	(16,334)	0	(233,204)
Furniture, Fixtures and Equipment	(719,159)	(111,810)	0	(830,969)
Vehicles	(918,717)	(190,407)	0	(1,109,124)
Infrastructure:				
Streets	(37,592,573)	(674,738)	0	(38,267,311)
Storm Drains	(2,331,646)	(37,250)	0	(2,368,896)
Sidewalks	(1,517,124)	(216,563)	0	(1,733,687)
Fire Hydrants	(471,254)	(20,475)	0	(491,729)
Traffic Lights	(218,243)	(17,165)	0	(235,408)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	(46,182,512)	(1,365,542) *	0	(47,548,054)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets being depreciated, net	19,894,589	721,084	0	20,615,673
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities capital assets, net	<u>\$21,192,389</u>	<u>\$721,084</u>	<u>\$0</u>	<u>\$21,913,473</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Business type activities:				
Capital assets not being depreciated				
Land	\$1,494,060	\$0	\$0	\$1,494,060
Construction in progress	1,622,938	4,916,549	(737,446)	5,802,041
Total capital assets not being depreciated	3,116,998	4,916,549	(737,446)	7,296,101
Capital assets being depreciated				
Buildings	5,000,831	79,828	0	5,080,659
Improvements other than Buildings	12,098,406	0	0	12,098,406
Furniture, Fixtures and Equipment	569,315	0	0	569,315
Vehicles	82,342	0	0	82,342
Infrastructure:				
Water Lines	14,823,287	758,638	0	15,581,925
Sewer Lines	6,507,162	3,366	0	6,510,528
Total capital assets being depreciated	39,081,343	841,832	0	39,923,175
Accumulated depreciation				
Buildings	(2,481,787)	(82,851)	0	(2,564,638)
Improvements other than Buildings	(12,002,634)	(80,485)	0	(12,083,119)
Furniture, Fixtures and Equipment	(234,388)	(46,743)	0	(281,131)
Vehicles	(28,938)	(10,254)	0	(39,192)
Infrastructure:				
Water Lines	(4,994,029)	(162,197)	0	(5,156,226)
Sewer Lines	(3,411,148)	(87,686)	0	(3,498,834)
Total accumulated depreciation	(23,152,924)	(470,216)	0	(23,623,140)
Capital assets being depreciated, net	15,928,419	371,616	0	16,300,035
Business type activities capital assets, net	\$19,045,417	\$5,288,165	(\$737,446)	\$23,596,136

* Depreciation expense was charged to governmental activities as follows:

General Government	\$18,670
Security of Persons and Property:	
Police	65,230
Fire	103,256
Leisure Time Activities	47,668
Public Health and Welfare	20,475
Community Environment	255,655
Transportation	817,338
Basic Utility Services	37,250
Total	<u>\$1,365,542</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, the City contracted with three companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Clarendon National	Umbrella Liability	\$5,000,000
	General Liability	2,000,000
	Law Enforcement Liability - each person, each wrongful act	1,000,000
	Public Officials Liability	1,000,000
	Auto Liability	1,000,000
Great American	Commercial Property	31,496,216
Ohio Casualty	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 manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$60,000 per employee per year.

The claims liability of \$83,819 reported in the internal service fund at December 31, 2003, 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 2002 and 2003 were:

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$68,975	\$1,265,005	\$1,064,376	\$269,604
2003	269,604	1,288,598	1,474,383	83,819

Note 11 – 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. The City pays one hundred percent of the maximum hours. 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, 2003

Note 12 – Short-term Debt

On November 1, 2002, the City of Ravenna issued a \$590,000 bond anticipation note for 2.00 percent in the general fund. The note matured on November 1, 2003 and was rolled into the \$635,000 general obligation municipal improvement bonds.

Note 13 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year Of Maturity
Business-Type Activities			
<i>Mortgage Revenue Bonds:</i>			
Waterworks System Revenue Refunding Bonds - 1999	3.50% to 4.35%	\$3,315,000	2009
<i>OPWC Loans:</i>			
Cotton Corners Waterline 1994	0.00%	112,173	2015
Lakewood Road Waterline - 1996	0.00%	168,327	2016
Hayes Road Waterline - 2000	0.00%	69,190	2019
Highland Avenue Reconstruction - 2001	0.00%	32,823	2021
Lake Avenue Water and Storm Loan - 2003	0.00%	30,556	2023
<i>OWDA Loans:</i>			
Sewer - 1993	5.00%	5,476,391	2012
Windmill Sewer - 2003	3.95%	411,815	2023
Lovers Lane Windmill Sewer - 2003	n/a	292,433	n/a
Kent/Ravenna Emergency Waterline - 2003	n/a	309,024	n/a
WWTP Expansion - 2003	n/a	5,597,128	n/a
Governmental Activities			
<i>General Obligation Bonds:</i>			
Streetscape Bonds - 1993	3.50% to 6.30%	995,000	2013
Streetscape Bonds - 1994	4.20% to 6.35%	171,514	2014
Municipal Building Improvement - 2003	4.00% to 5.00%	635,000	2023
<i>Special Assessment Bonds:</i>			
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	2031
<i>Other Long-Term Obligations:</i>			
Fire Pension	various	136,183	2035

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Outstanding 12/31/02	Additions	(Reductions)	Outstanding 12/31/03	Amounts Due in One Year
Business Type Activities					
Mortgage Revenue Bonds					
Waterworks System Revenue Refunding Bonds	\$2,230,000	\$0	(\$280,000)	\$1,950,000	\$295,000
Discount on Refunding Bonds	(14,689)	2,098	0	(12,591)	0
<i>Total Mortgage Revenue Bonds</i>	<u>2,215,311</u>	<u>2,098</u>	<u>(280,000)</u>	<u>1,937,409</u>	<u>295,000</u>
OPWC Loans					
Cotton Corners Waterline	67,304	0	(5,609)	61,695	5,609
Lakewood Road Waterline	109,412	0	(8,416)	100,996	8,416
Hayes Road Waterline	57,081	0	(3,459)	53,622	3,459
Highland Avenue Reconstruction	32,240	0	(1,791)	30,449	1,791
Lake Avenue Water and Storm Loan	0	30,556	(764)	29,792	1,528
<i>Total OPWC Loans</i>	<u>266,037</u>	<u>30,556</u>	<u>(20,039)</u>	<u>276,554</u>	<u>20,803</u>
OWDA Loans					
Sewer	3,267,811	0	(276,336)	2,991,475	290,325
Windmill Sewer	403,613	8,202	(13,845)	397,970	0
Lovers Lane Windmill Sewer	0	292,433	0	292,433	0
Kent/Ravenna Emergency Waterline	0	309,024	0	309,024	0
WWTP Expansion	0	5,597,128	0	5,597,128	0
<i>Total OWDA Loans</i>	<u>3,671,424</u>	<u>6,206,787</u>	<u>(290,181)</u>	<u>9,588,030</u>	<u>290,325</u>
Compensated Absences	369,498	265,542	(181,830)	453,210	176,523
Capital Leases	28,329	0	(28,329)	0	0
<i>Total Business Type Activities</i>	<u>\$6,550,599</u>	<u>\$6,504,983</u>	<u>(\$800,379)</u>	<u>\$12,255,203</u>	<u>\$782,651</u>
Governmental Activities					
General Obligation Bonds					
Streetscape Bonds - 1993	\$675,000	\$0	(\$45,000)	\$630,000	\$50,000
Streetscape Bonds - 1994	123,883	0	(7,410)	116,473	7,410
Municipal Building Improvement	0	635,000	0	635,000	20,000
<i>Total General Obligation Bonds</i>	<u>798,883</u>	<u>635,000</u>	<u>(52,410)</u>	<u>1,381,473</u>	<u>77,410</u>
Special Assessment Bonds					
Streetscape Bonds - 1994	461,116	0	(27,590)	433,526	27,590
Library Bonds					
Reed Memorial Library Bonds	0	5,350,000	0	5,350,000	65,000
Discount on Reed Memorial Library Bonds	0	(58,192)	1,940	(56,252)	0
<i>Total Library Bonds</i>	<u>0</u>	<u>5,291,808</u>	<u>1,940</u>	<u>5,293,748</u>	<u>65,000</u>
Fire Pension	109,306	0	(1,610)	107,696	1,680
Capital Leases	327,925	0	(34,838)	293,087	27,119
Compensated Absences	871,881	393,708	(411,270)	854,319	439,172
<i>Total Governmental Activities</i>	<u>\$2,569,111</u>	<u>\$6,320,516</u>	<u>(\$525,778)</u>	<u>\$8,363,849</u>	<u>\$637,971</u>

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

On June 1, 1999, the City issued \$3,315,000 in Revenue Bonds with a discount of \$22,032 and interest rates varying from 3.50 percent to 4.35 percent. Proceeds were used to retire \$3,070,000 of the outstanding 1987 Series revenue bonds. As of December 31, 2002, \$2,230,000 of outstanding refunded revenue bonds are considered defeased by assets held in an irrevocable trust. The 1999 revenue bonds include a discount. This year the additions include \$2,098, which represents the accretion of discounted interest remaining on the bonds.

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

As of December 31, 2003 the Waterworks System Revenue Refunding Bonds have a redemption price of 1.01 percent. The restrictions that were placed upon these bonds by the indenture as of December 31, 2003, restricted the City's Water fund assets in the amount of \$540,372 for operation and maintenance. The bond indenture also requires 5 percent of sales to be set-aside for replacement and improvements for a balance of \$275,000.

The City has entered into a contractual agreement for water and sewer loans from OWDA for the Lovers Lane Windmill Sewer project, Kent/Ravenna Emergency Waterline project and the Waste Water Treatment Plant Expansion project. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loans. Since the loans have not yet been finalized, repayment schedules are not included in the schedule of debt service requirements.

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 matures December 31, 2031. 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 are not part of the City.

Compensated absences reported in the "compensated absences payable" account will be paid from the general fund, the street construction, maintenance and repair and recreation special revenue funds and the water and sewer enterprise funds.

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

Capital leases will be paid from various revenues from the general fund, EMS special revenue fund, capital improvements capital projects fund and the sewer fund.

The City's overall legal debt margin was \$14,185,059 at December 31, 2003. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Business-Type Activities

	Mortgage Revenue Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2004	\$295,000	\$81,413	\$20,803	\$290,325	\$145,989
2005	305,000	69,617	20,803	305,023	131,292
2006	320,000	57,260	20,803	320,465	115,850
2007	330,000	44,140	20,803	336,689	99,626
2008	340,000	30,280	20,803	353,733	82,582
2009 - 2013	360,000	15,660	104,015	1,385,240	141,863
2014 - 2018	0	0	56,333	0	0
2019 - 2022	0	0	12,191	0	0
Total	\$1,950,000	\$298,370	\$276,554	\$2,991,475	\$717,202

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		Library Bonds		Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$77,410	\$80,579	\$27,590	\$27,163	\$65,000	\$278,314	\$1,680	\$4,559
2005	83,468	71,400	31,532	25,591	95,000	237,255	1,752	4,487
2006	88,468	66,731	31,532	23,777	100,000	235,355	1,827	4,411
2007	89,527	61,727	35,473	21,775	100,000	233,355	1,906	4,334
2008	94,527	56,500	35,473	19,522	100,000	231,355	1,987	4,252
2009 - 2013	559,312	274,180	220,687	60,319	555,000	1,110,982	11,293	19,872
2014 - 2018	178,761	78,874	51,239	3,254	675,000	994,870	13,936	17,259
2019 - 2023	210,000	32,250	0	0	830,000	831,480	17,197	13,998
2024 - 2028	0	0	0	0	1,050,000	607,500	21,222	9,974
2029 - 2033	0	0	0	0	1,780,000	316,750	26,188	5,008
2034 - 2035	0	0	0	0	0	0	8,708	367
Total	\$1,381,473	\$722,241	\$433,526	\$181,401	\$5,350,000	\$5,077,216	\$107,696	\$88,521

Note 14 - Capital Leases

In previous years, the City entered into a lease agreement for the acquisition of copy machines, emergency equipment, and a fire engine. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The machinery and equipment and vehicles have been capitalized in the amount of \$532,898, the present value of the minimum lease payments at the inception of the lease.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The assets acquired through capital leases are as follows:

<i>Asset:</i>	<u>Governmental Activities</u>
Machinery and Equipment	\$193,290
Vehicles	339,608
Historical Cost	532,898
Less: Accumulated Depreciation	<u>(197,578)</u>
Total Book Value as of December 31, 2003	<u><u>\$335,320</u></u>

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

<u>Year Ending December 31,</u>	
2004	\$46,510
2005	46,510
2006	43,836
2007	43,302
2008	43,301
2009-2012	<u>173,205</u>
Total Minimum Lease Payments	396,664
Less: Amount Representing Interest	<u>(103,577)</u>
Present Value of Minimum Lease	<u><u>\$293,087</u></u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the general fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 15 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$361,046, \$353,721, and \$353,514 respectively; 87.88 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$53 made by the City and \$33 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$151,577 and \$175,385 for the year ended December 31, 2003, \$145,458 and \$169,029 for the year ended December 31, 2002, and \$150,580 and \$161,573 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 73.36 percent for police and 73.52 percent for firefighters has been contributed for 2003 with the remainder being reported as a liability.

C. Social Security System

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 16 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$211,138. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. Police and Firemen's Disability and Pension Fund

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$99,976 for police and \$83,645 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003 was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 17 - Jointly Governed Organization

Metro Critical Response and Rescue Team (CRRT) The Metro Critical Response and Rescue Team is a multi-jurisdictional tactical unit consisting of member agencies within Summit County as well as selected out of county agencies. The CRRT is a team of specially trained police officers from participating political subdivisions which will respond to any incident where special weapons and tactics are needed within the member jurisdictions. Each agency has a departmental representative that collectively constitutes the "Board of Directors". As a representative from one department you are allotted one vote in the decision making process of CRRT matters. The CRRT Board of Directors is directed by an Executive Board consisting of a President, Vice-President and Secretary as elected annually from the members of the Board of Directors. The Board of Directors controls the budget and all financial concerns. In 2003, the City contributed \$3,975, which represents 5 percent of the total contribution.

Note 18 - 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 2003 was 62.6 percent. During 2003, \$190,159 was paid by the City for operating and capital expenses. 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, 2003

Note 19 – 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 purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Reed Memorial Library, Janice Kent Clerk/Treasurer, 167 East Market Street, Ravenna, Ohio 44266.

Note 20 - Contractual Commitments

As of December 31, 2003, the City had contractual commitments for the following projects:

	Contractual Commitments	Expended	Balance 12/31/2003
Waste Water Expansion	\$13,147,830	\$5,802,040	\$7,345,790
Lake Ave. Water and Storm Project	542,028	236,830	305,198
Lovers Lane/Windmill Sewer Line	606,764	431,226	175,538
Wall Street Water Line	118,000	0	118,000
Cedar/Main Water Line	194,238	69,581	124,657
Kent/Ravenna Water Line	402,878	362,749	40,129
Enterprise Parkway	290,000	279,702	10,298
Chestnut/Washington Storm Line	41,936	35,962	5,974
Totals	\$15,343,674	\$7,218,090	\$8,125,584

Note 21 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2003.

B. Litigation

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

**CITY OF RAVENNA
PORTAGE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Aging:</i>			
Special Program for the Aging - Title III, Part B	None	93.044	<u>\$4,048</u>
Total U.S. Department of Health and Human Services			<u>4,048</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Small Communities Development Block Grant Economic Dev.	AE-02-168-1	14.228	144,785
Small Communities Development Block Grant Formula Program	AF-02-168-1	14.228	24,795
Community Development Block Grant Formula Program	AF-01-168-1	14.228	67,000
Community Housing Improvement Program (CHIP) CDBG	AC-01-168-1	14.228	5,507
Community Housing Improvement Program (CHIP) CDBG	AC-02-168-1	14.228	<u>100,000</u>
			342,087
Community Housing Improvement Program (CHIP) Home Funds	AC-02-168-2	14.239	371,853
Community Housing Improvement Program (CHIP) HOME	AC-98-168-2	14.239	<u>2,167</u>
			374,020
Total U.S. Department of Housing & Urban Development			<u>716,107</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through the Bureau of Justice Assistance:</i>			
Federal Local Law Enforcement Block Grant	2002-LB-BX-2724	16.592	13,083
Bulletproof Vest Partnership 2003	None	16.607	<u>830</u>
Total Passed Through the Bureau of Justice Assistance:			13,913
<i>Passed Through the Office of Community Oriented Policing Services:</i>			
Cops Safe Schools 99-02	1999SHWX0542	16.710	<u>1,540</u>
Total U.S. Department of Justice			<u>15,453</u>
<u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u>			
<i>Passed Through the Ohio Department of Public Safety:</i>			
Operation Slow Down Program 02-03	2003-SC-N/1	20.600	19,996
Safe Communities 02-03	2003-SA-N/1	20.600	41,691
Safe Communities 03-04	2003-SA-N/1	20.600	<u>6,522</u>
Total Safe Communities:			68,209
DUI Task Force 02-03	2003-4AF-4/6	20.164	93,698
DUI Task Force 03-04	2004-DTF4/6	20.164	<u>2,977</u>
Total DUI Task Force:			96,675
Total National Highway Traffic Safety Administration			<u>164,884</u>
Total Federal Financial Assistance			<u>\$900,492</u>

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

**CITY OF RAVENNA
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to assist in expansion and to create jobs for persons from low-moderate income households, in addition to eligible persons for modernization and rehabilitation of homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property, by Uniform Commercial Code, and inventory. At December 31, 2003, the gross amount of loans outstanding under this program was \$4,260,313.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

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

City of Ravenna
Portage County
210 Parkway
Ravenna, Ohio 44266

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna (the City) as of and for the year ended December 31, 2003 which collectively comprise the City's basic financial statements and have issued our report thereon dated April 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

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

City of Ravenna
Portage County
Independent Accountants' Report on Internal Control
over Financial Reporting and on Compliance and other Matters
Required by Government Auditing Standards
Page 2

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

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

Betty Montgomery
Auditor of State

April 26, 2005



Auditor of State Betty Montgomery

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

City of Ravenna
Portage County
210 Parkway
Ravenna, Ohio 44266

To the City Council:

Compliance

We have audited the compliance of the City of Ravenna (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2003. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Ravenna complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

April 26, 2005

**CITY OF RAVENNA
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133§ .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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



**Auditor of State
Betty Montgomery**

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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
JUNE 7, 2005**