

**City of Ravenna, Ohio**  
**Basic Financial Statements**  
**December 31, 2007**





Mary Taylor, CPA  
Auditor of State

City Council  
City of Ravenna  
210 Park Way  
Ravenna, Ohio 44266

We have reviewed the *Independent Auditors' Report* of the City of Ravenna, Portage County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 2, 2009

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# City of Ravenna, Ohio

For The Year Ended December 31, 2007

<u>Table of Contents</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet–Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual– General Fund.....	20
Revolving Loan Fund.....	21
Statement of Fund Net Assets – Proprietary Funds.....	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	27
Notes to Basic Financial Statements.....	28

# City of Ravenna, Ohio

For The Year Ended December 31, 2007

<u>Table of Contents</u>	<u>Page</u>
Report on Internal Control over Financial Reporting Based and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	59
Schedule of Findings .....	61
Schedule of Prior Audit Findings.....	62
Responses to Audit Findings.....	65

## Independent Auditors' Report

Honorable Mayor and  
Members of Council  
Ravenna, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ravenna, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Ravenna's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and the Revolving Loan Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2007, the City of Ravenna, implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2008, on our consideration of the City of Ravenna, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and  
Members of Council  
Ravenna, Ohio

The management's discussion and analysis on pages 4 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
December 29, 2008



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**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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The discussion and analysis of the City of Ravenna's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- Total assets for the City of Ravenna exceeded liabilities by \$74,916,351 as of December 31, 2007.
- Total net assets decreased by \$225,166. Governmental activities decreased \$762,497 while business-type activities increased \$537,331.
- Total capital assets decreased \$2,368,033, or 2.94 percent from 2006. Governmental capital assets decreased \$1,246,522 and business-type capital assets decreased \$1,121,511.
- Total liabilities of the City decreased \$1,280,553 during 2007. Governmental activities liabilities increased \$347,013 and business-type activities liabilities decreased \$1,627,566. The decrease in the business-type liabilities is due primarily to the reduction of long term debt.

***Using this Annual Financial Report***

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

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

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

*Statement of Net Assets and the Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2007?" 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

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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

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

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

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

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

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

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

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

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

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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

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

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

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

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

***The City as a Whole***

As noted earlier, the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2007 compared to 2006.

**Table 1**  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and Other Assets	\$18,257,521	\$17,426,483	\$9,642,424	\$9,611,148	\$27,899,945	\$27,037,631
Capital Assets, Net	42,994,804	44,241,326	35,100,027	36,221,538	78,094,831	80,462,864
<b>Total Assets</b>	<b>61,252,325</b>	<b>61,667,809</b>	<b>44,742,451</b>	<b>45,832,686</b>	<b>105,994,776</b>	<b>107,500,495</b>
<b>Liabilities</b>						
Current Liabilities	1,690,605	1,672,696	5,677,690	6,148,471	7,368,295	7,821,167
Long-Term Liabilities						
Due Within One Year	666,662	669,094	1,415,651	1,373,855	2,082,313	2,042,949
Due in More Than One Year	7,582,725	7,251,189	14,045,092	15,243,673	21,627,817	22,494,862
<b>Total Liabilities</b>	<b>\$9,939,992</b>	<b>\$9,592,979</b>	<b>\$21,138,433</b>	<b>\$22,765,999</b>	<b>\$31,078,425</b>	<b>\$32,358,978</b>

(continued)

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$40,675,199	\$42,280,621	\$20,157,497	\$20,127,725	\$60,832,696	\$62,408,346
Restricted for:						
Capital Projects	1,723,600	1,814,939	0	0	1,723,600	1,814,939
Debt Service	231,392	287,473	0	0	231,392	287,473
Revolving Loans	6,805,093	7,059,615	0	0	6,805,093	7,059,615
Street Construction, Maintenance and Repair	1,226,701	1,050,020	0	0	1,226,701	1,050,020
Emergency Medical Services	584,380	331,401	0	0	584,380	331,401
State Highway	52,574	138,881	0	0	52,574	138,881
Other Purposes	683,894	333,857	0	0	683,894	333,857
Replacement and Improvement	0	0	275,000	275,000	275,000	275,000
Operation and Maintenance	0	0	574,611	610,639	574,611	610,639
Unrestricted (Deficit)	(670,500)	(1,221,977)	2,596,910	2,053,323	1,926,410	831,346
<i>Total Net Assets</i>	<u>\$51,312,333</u>	<u>\$52,074,830</u>	<u>\$23,604,018</u>	<u>\$23,066,687</u>	<u>\$74,916,351</u>	<u>\$75,141,517</u>

For the City of Ravenna, total assets exceeded total liabilities by \$74,916,351 at the close of 2007. Of the total net assets, capital assets, net of related debt make up \$60,832,696 or 81.20 percent.

Unrestricted net assets for the City's governmental activities ended the year with a deficit balance of \$670,500 which was a decrease from last year's deficit of \$1,221,977. The main reason for the deficit is that the City issued general obligation bonds for the Reed Memorial Library in 2003 and at the end of 2007 still owed \$4,941,508 on the bonds. The bonds will be paid with property tax money from the Reed Memorial Library and will mature in 2033. Although the City of Ravenna holds title to the land and building of the Library, these assets are not included in the capital assets listing of the City because it does not utilize, maintain or improve the Library for City operations.

Total assets of the City decreased \$1,505,719 over 2006. The most significant decrease was seen in Non-Depreciable Capital Assets, while the \$1,280,553 decrease in 2006 total liabilities is attributable to the reduction of long-term debt.

During the year, governmental net assets decreased \$762,497 while business-type net assets increased \$537,331. The City of Ravenna reported a positive balance for combined total net assets.

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

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues						
Charges for Services and Sales	\$1,692,075	\$1,571,524	\$5,766,735	\$5,140,374	\$7,458,810	\$6,711,898
Operating Grants and Contributions	1,149,751	1,576,764	0	0	1,149,751	1,576,764
Capital Grants and Contributions	147,457	185,593	32,568	288,201	180,025	473,794
<b>Total Program Revenues</b>	<b>2,989,283</b>	<b>3,333,881</b>	<b>5,799,303</b>	<b>5,428,575</b>	<b>8,788,586</b>	<b>8,762,456</b>
General Revenues						
Property Taxes	754,990	711,675	0	0	754,990	711,675
Income Taxes	7,342,058	6,088,163	483,310	784,316	7,825,368	6,872,479
Grants and Entitlements	1,529,291	1,172,562	0	0	1,529,291	1,172,562
Payments In Lieu of Taxes	16,500	0	0	0	16,500	0
Investment Earnings	551,057	490,983	0	0	551,057	490,983
Gain on Sale of Capital Assets	48,326	0	0	0	48,326	0
Miscellaneous	63,897	117,460	84,656	120,776	148,553	238,236
<b>Total General Revenues</b>	<b>10,306,119</b>	<b>8,580,843</b>	<b>567,966</b>	<b>905,092</b>	<b>10,874,085</b>	<b>9,485,935</b>
<b>Total Revenues</b>	<b>13,295,402</b>	<b>11,914,724</b>	<b>6,367,269</b>	<b>6,333,667</b>	<b>19,662,671</b>	<b>18,248,391</b>
<b>Program Expenses</b>						
General Government	2,747,059	1,306,952	0	0	2,747,059	1,306,952
Security of Persons and Property:						
Police	3,323,060	3,166,487	0	0	3,323,060	3,166,487
Fire	2,280,468	2,049,428	0	0	2,280,468	2,049,428
Leisure Time Activities	869,102	983,086	0	0	869,102	983,086
Public Health and Welfare	279,823	418,362	0	0	279,823	418,362
Community Environment	983,733	740,716	0	0	983,733	740,716
Transportation	2,015,248	2,326,417	0	0	2,015,248	2,326,417
Basic Utility Services	238,845	256,393	0	0	238,845	256,393
Economic Development	152,828	59,307	0	0	152,828	59,307
Interest and Fiscal Charges	350,951	351,365	0	0	350,951	351,365
Water	0	0	3,587,204	3,303,115	3,587,204	3,303,115
Sewer	0	0	3,059,516	3,480,039	3,059,516	3,480,039
<b>Total Program Expenses</b>	<b>13,241,117</b>	<b>11,658,513</b>	<b>6,646,720</b>	<b>6,783,154</b>	<b>19,887,837</b>	<b>18,441,667</b>
Excess of Revenues Over (Under) Expenses	54,285	256,211	(279,451)	(449,487)	(225,166)	(193,276)
Transfers	(816,782)	0	816,782	0	0	0
<b>Change in Net Assets</b>	<b>(762,497)</b>	<b>256,211</b>	<b>537,331</b>	<b>(449,487)</b>	<b>(225,166)</b>	<b>(193,276)</b>
Net Assets Beginning of Year	52,074,830	51,818,619	23,066,687	23,516,174	75,141,517	75,334,793
<b>Net Assets End of Year</b>	<b>\$51,312,333</b>	<b>\$52,074,830</b>	<b>\$23,604,018</b>	<b>\$23,066,687</b>	<b>\$74,916,351</b>	<b>\$75,141,517</b>

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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***Governmental Activities***

Several sources fund our governmental activities with the City income tax being the largest component, contributing \$7,342,058, or 55.22 percent of the \$13,295,402 total governmental revenue. The increase in income tax over 2006 is attributable to greater collections as well as new businesses within City limits. The City's income tax rate is 2.0 percent of gross income. Program revenues are the next most important source of revenue generating \$2,989,283 or 22.48 percent. All other revenues including property taxes, grants and entitlements, interest and other revenue accounted for \$2,964,061 or 22.30 percent of total governmental revenue.

Major expense activities are the operating costs associated with security of persons and property. Police, EMS, and Fire account for \$5,603,528 or 42.32 percent of the total governmental expenses. 2007 total expenses for safety forces finished \$387,347 over 2006 as employment in the Police and Fire Departments was rebuilt to the staffing levels that existed prior to the 2004 layoffs. As in the past, the Police Department continued its active participation in various community service programs that include the Safe Communities Program and DUI Task Force.

Transportation continues to be the second largest cost component, as again, the Street Department and related functions comprised 15.22 percent of total governmental expenses.

***Business-Type Activities***

Business-type activities include the City's water and sewer operations. Net assets for 2007 increased \$537,331. Total capital assets decreased \$1,121,511 as a result of depreciation being taken, long term debt was reduced in an amount greater than the depreciation. As noted in the 2006 Analysis, the ability to take on additional debt was enabled by the City's agreement with Portage County to share the cost of upgrading the Wastewater Treatment Plant Facility to handle additional capacity. As a result of this agreement, the City relies on the County for over \$500,000 in debt service participation annually.

***Governmental Funds***

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

At the end of 2007, the City of Ravenna reported combined governmental fund balances of \$14,333,064. Of this amount, \$8,638,678 constitutes unreserved balances, which is available for spending. The remaining \$5,694,386 is reserved to indicate what is not available for spending due to contractual commitments and purchases of the prior period. Of the total reserved balance, loans receivable to the City's portfolio of Revolving Loans of \$5,432,536 represent 95.40 percent of the reserve. The reserve for encumbrances accounted for 4.53 percent of the reserved fund balances.

Combined governmental funds had total revenues of \$13,433,152 and expenditures of \$12,351,603 leaving a difference of revenues over expenditures of \$1,081,549. The surplus was primarily the result of increased general fund revenues produced by an income tax rate increase and a significant gain in interest income earned. The general fund is the primary operating fund of the City, and at the end of 2007 it had a balance of \$4,188,920, an increase of \$270,965 over 2006.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

***General Fund Budgeting Highlights***

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

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

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

The original 2007 general fund revenues were budgeted at \$7,579,850 and final budgeted revenues were \$7,903,575. Original appropriations in the general fund were budgeted at \$7,058,790 and final appropriations were \$7,662,247. The appropriation increase was comprised mostly of departmental requests for additional operating items throughout the year.

***Capital Assets and Debt Administration***

*Capital Assets*

Table 3 shows 2007 balances of capital assets as compared to 2006.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$1,297,800	\$1,306,300	\$1,537,860	\$1,537,860	\$2,835,660	\$2,844,160
Construction in Progress	0	40,138	0	82,208	0	122,346
Buildings	2,379,407	2,479,097	4,696,376	4,837,034	7,075,783	7,316,131
Improvements other than Buildings	219,663	244,215	7,990,265	8,354,910	8,209,928	8,599,125
Furniture, Fixtures and Equipment	936,365	893,275	7,023,859	7,396,823	7,960,224	8,290,098
Vehicles	1,368,931	1,551,466	8,783	15,939	1,377,714	1,567,405
Infrastructure	36,792,638	37,726,835	13,842,884	13,996,764	50,635,522	51,723,599
<b>Total Capital Assets</b>	<b>\$42,994,804</b>	<b>\$44,241,326</b>	<b>\$35,100,027</b>	<b>\$36,221,538</b>	<b>\$78,094,831</b>	<b>\$80,462,864</b>

Total capital assets for governmental activities of the City of Ravenna were \$42,994,804, a decrease of \$1,246,522 from 2006. As noted earlier, this decrease was due to annual depreciation being taken on the assets. Capital assets for business-type activities were \$35,100,027 a decrease of \$1,121,511 from 2006.



**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

This decrease was due to annual depreciation. Additional information concerning the City's capital assets can be found in Note 14 to the basic financial statements.

*Debt*

At December 31, 2007, the City of Ravenna had governmental long-term obligations of \$8,249,387 in bonds, fire pension, capital leases and compensated absences outstanding. The Library bonds account for \$4,941,508 or 59.9 percent of the total governmental activities. At December 31, 2007 the City had \$15,460,743 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	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$1,042,600	\$1,132,127	\$0	\$0	\$1,042,600	\$1,132,127
Special Assessment Bonds	307,398	342,872	0	0	307,398	342,872
Library Bonds	4,941,508	5,039,568	0	0	4,941,508	5,039,568
Mortgage Revenue Bonds	0	0	695,801	1,023,703	695,801	1,023,703
OPWC Loans	0	0	243,341	214,144	243,341	214,144
OWDA Loans	0	0	13,946,378	14,786,282	13,946,378	14,786,282
Fire Pension	100,531	102,437	0	0	100,531	102,437
Capital Leases	831,407	280,706	80,732	105,268	912,139	385,974
Compensated Absences	1,025,943	1,022,573	494,491	488,131	1,520,434	1,510,704
<b>Total</b>	<b>\$8,249,387</b>	<b>\$7,920,283</b>	<b>\$15,460,743</b>	<b>\$16,617,528</b>	<b>\$23,710,130</b>	<b>\$24,537,811</b>

The general obligation bonds consist of a 1993 street improvement bond, a 1994 street improvement bond and a municipal building improvement bond. The special assessment bond is also related to the 1994 street improvement project and is repaid from the collection of assessments by the County Auditor from the specific property owners who benefit from the project. As previously noted, the library improvement bonds represent debt, as principal and interest are paid by the taxes provided by a property tax levy through the Reed Memorial Library. The increase in capital leases represents a 10-year, zero interest lease/purchase commitment for an existing local garage facility to house the Street Department. In total, governmental long-term obligations, net of the library bond, are \$3,307,879.

Business-type debt includes a 1999 waterworks refunding issuance that is repaid with water fund revenues. OPWC loans outstanding for infrastructure improvement projects are also repaid using water revenues. The OWDA loans consist of 1993 and 2005 wastewater treatment plant loans. The 1993 loan is paid exclusively with water and sewer revenue, while the 2005 loan is paid for with a combination of sewer revenues, income tax receipts, and participation revenues from Portage County as noted above.

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

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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**Current Financial Related Activities**

In 2007 the City took another step in the budgetary practice initiative that was established in 2006. For the first time in several years revenues were showing signs of growth and stability, allowing Citywide staffing to be at full compliment for the entire year. These factors enabled the City to once again see a complete financial picture to manage funds on an annual basis, irrespective of fund balances. The budgetary practice initiative was created to bring awareness for the need to ensure that each fund operates at an annual surplus through a series of reviews and checkpoints throughout the year. Unlike 2004 though 2006 where urgency was the primary focus of our budgetary reviews, 2007 served as a model of budgetary maintenance. The success of these practices was evident in all funds, as annual expenditures finished below annual revenues for the year. The key component to the success of this strategy was to construct a budget that would withstand changes and modifications to allow for economic changes. By using only annual revenues to cover operations, fund balances served to fund operational contingencies, provide contributions to capital projects where applicable, and strengthen our overall investment portfolio. The performance of the City's General Fund points to this, as the year finished with a \$339,140 net positive change in fund balance that moved the General Fund Balance over the \$4,000,000 mark. The ability to use General Fund monies to assist with a capital project while earning approximately \$500,000 City-wide in interest income illustrates the results of the budgetary model in 2007. Moving into 2008, the City will continue its commitment to this program. Department Heads, Administrators, and the Budget Commission will continue to monitor the activity of all funds for signs of any potential financial changes that may necessitate making corrections or modifications in the Citywide spending budget.

In 2007 the City's two business-type funds performed as projected, with the Water Fund still under careful watch to ensure expenses are held in check with operating revenues. Infrastructure improvements have been limited to Issue 2 projects that rely on State funding for assistance and Water Plant upgrades have been targeted for upgrades after the retirement of a significant amount of annual debt in 2009.

The Sewer Fund, now in its second full year of operating with an upgraded treatment plant, performed as expected with costs limited mostly to operations and maintenance. Beyond these costs several capital upgrades were made to improve energy efficiency at the plant in 2007.

**Contacting the City's Finance Department**

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

**City of Ravenna, Ohio**

*Statement of Net Assets*

*December 31, 2007*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,169,024	\$2,970,028	\$11,139,052
Cash and Cash Equivalents			
With Fiscal Agents	469	1,586	2,055
Investments with Fiscal Agents	0	402,160	402,160
Materials and Supplies Inventory	94,856	174,061	268,917
Accounts Receivable	633,190	614,819	1,248,009
Internal Balances	13,893	(13,893)	0
Intergovernmental Receivable	820,188	5,313,727	6,133,915
Prepaid Items	83,480	48,300	131,780
Income Taxes Receivable	1,403,483	107,914	1,511,397
Property Taxes Receivable	719,176	0	719,176
Deferred Charges	0	23,722	23,722
Special Assessments Receivable	283,611	0	283,611
Loans Receivable	6,036,151	0	6,036,151
Nondepreciable Capital Assets	1,297,800	1,537,860	2,835,660
Depreciable Capital Assets, Net	41,697,004	33,562,167	75,259,171
<i>Total Assets</i>	<u>61,252,325</u>	<u>44,742,451</u>	<u>105,994,776</u>
<b>Liabilities</b>			
Accounts Payable	220,335	92,983	313,318
Accrued Wages	208,680	85,477	294,157
Intergovernmental Payable	380,844	182,980	563,824
Matured Bonds Payable	469	0	469
Accrued Interest Payable	39,788	2,523	42,311
Claims Payable	39,610	0	39,610
Deferred Revenue	662,679	5,313,727	5,976,406
Notes Payable	138,200	0	138,200
Long-Term Liabilities:			
Due Within One Year	666,662	1,415,651	2,082,313
Due In More Than One Year	7,582,725	14,045,092	21,627,817
<i>Total Liabilities</i>	<u>9,939,992</u>	<u>21,138,433</u>	<u>31,078,425</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	40,675,199	20,157,497	60,832,696
Restricted for:			
Capital Projects	1,723,600	0	1,723,600
Debt Service	231,392	0	231,392
Revolving Loans	6,805,093	0	6,805,093
Street Construction, Maintenance and Repair	1,226,701	0	1,226,701
Emergency Medical Services	584,380	0	584,380
State Highway	52,574	0	52,574
Other Purposes	683,894	0	683,894
Replacement and Improvement	0	275,000	275,000
Operation and Maintenance	0	574,611	574,611
Unrestricted (Deficit)	(670,500)	2,596,910	1,926,410
<i>Total Net Assets</i>	<u>\$51,312,333</u>	<u>\$23,604,018</u>	<u>\$74,916,351</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2007

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$2,747,059	\$173,604	\$564	\$73,150
Security of Persons and Property:				
Police	3,323,060	197,912	114,451	0
Fire	2,280,468	582,913	8,648	0
Leisure Time Activities	869,102	451,025	11,086	74,307
Public Health and Welfare	279,823	17,197	59	0
Community Environment	983,733	262,623	63	0
Transportation	2,015,248	0	630,006	0
Basic Utility Services	238,845	6,695	22	0
Economic Development	152,828	106	384,852	0
Interest and Fiscal Charges	350,951	0	0	0
<i>Total Governmental Activities</i>	<u>13,241,117</u>	<u>1,692,075</u>	<u>1,149,751</u>	<u>147,457</u>
<b>Business-Type Activities:</b>				
Water	3,587,204	2,776,095	0	32,568
Sewer	3,059,516	2,990,640	0	0
<i>Total Business-Type Activities</i>	<u>6,646,720</u>	<u>5,766,735</u>	<u>0</u>	<u>32,568</u>
<i>Total</i>	<u><u>\$19,887,837</u></u>	<u><u>\$7,458,810</u></u>	<u><u>\$1,149,751</u></u>	<u><u>\$180,025</u></u>

**General Revenues**

Property Taxes Levied for  
    General Purposes  
Municipal Income Taxes Levied for:  
    General Purposes  
    Street Construction, Maintenance and Repair  
    Recreation  
    Emergency Medical Services  
    Capital Outlay  
    Water Department  
Grants and Entitlements not Restricted to Specific Programs  
Payment in Lieu of Taxes  
Interest  
Gain on Sale of Capital Assets  
Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

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

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$2,499,741)	\$0	(\$2,499,741)
(3,010,697)	0	(3,010,697)
(1,688,907)	0	(1,688,907)
(332,684)	0	(332,684)
(262,567)	0	(262,567)
(721,047)	0	(721,047)
(1,385,242)	0	(1,385,242)
(232,128)	0	(232,128)
232,130	0	232,130
(350,951)	0	(350,951)
(10,251,834)	0	(10,251,834)
0	(778,541)	(778,541)
0	(68,876)	(68,876)
0	(847,417)	(847,417)
(10,251,834)	(847,417)	(11,099,251)
754,990	0	754,990
5,376,970	0	5,376,970
573,983	0	573,983
390,465	0	390,465
312,371	0	312,371
688,269	0	688,269
0	483,310	483,310
1,529,291	0	1,529,291
16,500		16,500
551,057	0	551,057
48,326	0	48,326
63,897	84,656	148,553
10,306,119	567,966	10,874,085
(816,782)	816,782	0
9,489,337	1,384,748	10,874,085
(762,497)	537,331	(225,166)
52,074,830	23,066,687	75,141,517
\$51,312,333	\$23,604,018	\$74,916,351

**City of Ravenna, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2007*

	<u>General</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,014,692	\$788,104	\$3,362,428	\$8,165,224
Cash and Cash Equivalents With Fiscal Agents	0	0	469	469
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	3,800	0	0	3,800
Materials and Supplies Inventory	23,096	0	71,760	94,856
Accounts Receivable	113,663	0	519,527	633,190
Interfund Receivable	10,714	0	0	10,714
Intergovernmental Receivable	447,955	0	372,233	820,188
Prepaid Items	59,445	0	24,035	83,480
Income Taxes Receivable	1,004,927	0	398,556	1,403,483
Property Taxes Receivable	719,176	0	0	719,176
Special Assessments Receivable	15,794	0	267,817	283,611
Loans Receivable	0	6,036,151	0	6,036,151
<i>Total Assets</i>	<u>\$6,413,262</u>	<u>\$6,824,255</u>	<u>\$5,016,825</u>	<u>\$18,254,342</u>
<b>Liabilities</b>				
Accounts Payable	\$93,924	\$19,162	\$107,249	\$220,335
Accrued Wages	163,410	0	45,270	208,680
Intergovernmental Payable	314,217	0	66,627	380,844
Interfund Payable	0	0	10,714	10,714
Matured Bonds Payable	0	0	469	469
Deferred Revenue	1,652,791	0	1,308,581	2,961,372
Accrued Interest Payable	0	0	664	664
Notes Payable	0	0	138,200	138,200
<i>Total Liabilities</i>	<u>2,224,342</u>	<u>19,162</u>	<u>1,677,774</u>	<u>3,921,278</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	126,140	0	131,910	258,050
Reserved for Loans Receivable	0	5,432,536	0	5,432,536
Reserved for Unclaimed Monies	3,800	0	0	3,800
Unreserved, Undesignated, Reported in:				
General Fund	4,058,980	0	0	4,058,980
Special Revenue Funds	0	1,372,557	1,838,167	3,210,724
Capital Projects Funds	0	0	1,368,974	1,368,974
<i>Total Fund Balances</i>	<u>4,188,920</u>	<u>6,805,093</u>	<u>3,339,051</u>	<u>14,333,064</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,413,262</u>	<u>\$6,824,255</u>	<u>\$5,016,825</u>	<u>\$18,254,342</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, 2007*

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<b>Total Governmental Fund Balances</b>	<b>\$14,333,064</b>
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*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,994,804
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	\$56,497
Income Taxes	834,677
Intergovernmental	634,617
Charges for Services	489,291
Special Assessments	<u>283,611</u>

Total	2,298,693
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Internal service funds are used by management to charge the costs of insurance and materials and supplies to individual funds. The assets and liabilities of the internal service fund are included as part of governmental activities in the statement of net assets.

Net Assets	(39,610)
Internal Balances	<u>13,893</u>

Total	(25,717)
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In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(39,124)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,042,600)
Special Assessment Bonds	(307,398)
Library Bonds	(4,990,000)
Discount on Library Bonds	48,492
Fire Pension Payable	(100,531)
Capital Leases Payable	(831,407)
Compensated Absences	<u>(1,025,943)</u>

Total	<u>(8,249,387)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$51,312,333</u></u>
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See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$741,549	\$0	\$0	\$741,549
Income Taxes	5,196,810	0	1,997,534	7,194,344
Intergovernmental	1,224,636	374,261	1,620,007	3,218,904
Interest	499,720	33,473	17,864	551,057
Fees, Licenses and Permits	436,220	0	420	436,640
Fines and Forfeitures	45,787	0	5,644	51,431
Rentals	6,745	0	28,066	34,811
Charges for Services	0	0	1,052,240	1,052,240
Contributions and Donations	1,663	0	7,807	9,470
Special Assessments	6,577	0	55,732	62,309
Payments In Lieu of Property Taxes	16,500	0	0	16,500
Other	25,000	0	38,897	63,897
<i>Total Revenues</i>	<u>8,201,207</u>	<u>407,734</u>	<u>4,824,211</u>	<u>13,433,152</u>
<b>Expenditures</b>				
Current:				
General Government	2,580,095	0	2,661	2,582,756
Security of Persons and Property:				
Police	2,969,212	0	106,767	3,075,979
Fire	1,265,440	0	695,983	1,961,423
Leisure Time Activities	0	0	790,433	790,433
Public Health and Welfare	258,958	0	0	258,958
Community Environment	279,706	0	392,214	671,920
Transportation	0	0	1,163,834	1,163,834
Basic Utility Services	101,518	0	0	101,518
Economic Development	1,612	151,216	0	152,828
Capital Outlay	0	0	952,357	952,357
Debt Service:				
Principal Retirement	23,622	0	266,744	290,366
Interest and Fiscal Charges	5,238	0	343,993	349,231
<i>Total Expenditures</i>	<u>7,485,401</u>	<u>151,216</u>	<u>4,714,986</u>	<u>12,351,603</u>
<i>Excess of Revenues Over Expenditures</i>	<u>715,806</u>	<u>256,518</u>	<u>109,225</u>	<u>1,081,549</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	73,100	73,100
Inception of Capital Lease	614,160	0	0	614,160
Transfers In	0	0	242,219	242,219
Transfers Out	(1,059,001)	0	0	(1,059,001)
<i>Total Other Financing Sources (Uses)</i>	<u>(444,841)</u>	<u>0</u>	<u>315,319</u>	<u>(129,522)</u>
<i>Net Change in Fund Balances</i>	270,965	256,518	424,544	952,027
<i>Fund Balances Beginning of Year</i>	<u>3,917,955</u>	<u>6,548,575</u>	<u>2,914,507</u>	<u>13,381,037</u>
<i>Fund Balances End of Year</i>	<u>\$4,188,920</u>	<u>\$6,805,093</u>	<u>\$3,339,051</u>	<u>\$14,333,064</u>



**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, 2007*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$952,027</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital Outlay	\$338,519
Depreciation	<u>(1,556,955)</u>
Total	(1,218,436)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(28,086)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property Taxes	13,441
Income Taxes	147,714
Intergovernmental	(401,875)
Charges for Services	116,953
Special Assessments	<u>(62,309)</u>
Total	(186,076)
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.	
	290,366
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	220
Amortization of Discount	<u>(1,940)</u>
Total	(1,720)
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds.	
	(3,370)
Other financing sources in the governmental funds, such as the inception of a capital lease, increase long-term liabilities in the statement of net assets.	
	(614,160)
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	72,326
Internal Balances	<u>(25,368)</u>
Total	<u>46,958</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$762,497)</u></u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$707,662	\$654,549	\$758,049	\$103,500
Income Taxes	4,761,854	5,051,381	5,100,908	49,527
Intergovernmental	1,161,059	1,179,354	1,243,729	64,375
Interest	466,504	445,000	499,720	54,720
Fees, Licenses and Permits	403,332	484,067	432,050	(52,017)
Fines and Forfeitures	42,744	62,395	45,787	(16,608)
Rentals	6,297	7,000	6,745	(255)
Contributions and Donations	1,552	6,013	1,663	(4,350)
Special Assessments	6,576	6,577	6,577	0
Other	22,270	7,239	24,324	17,085
<i>Total Revenues</i>	<u>7,579,850</u>	<u>7,903,575</u>	<u>8,119,552</u>	<u>215,977</u>
<b>Expenditures</b>				
Current:				
General Government	2,004,570	2,251,235	2,042,329	208,906
Security of Persons and Property:				
Police	3,067,270	3,239,726	2,954,788	284,938
Fire	1,312,326	1,463,510	1,274,975	188,535
Public Health and Welfare	270,196	288,679	260,112	28,567
Community Environment	290,613	303,639	279,530	24,109
Basic Utility Services	105,652	103,513	102,323	1,190
Economic Development	1,676	5,705	1,612	4,093
Debt Service:				
Principal Retirement	1,982	1,906	1,906	0
Interest and Fiscal Charges	4,505	4,334	4,334	0
<i>Total Expenditures</i>	<u>7,058,790</u>	<u>7,662,247</u>	<u>6,921,909</u>	<u>740,338</u>
<i>Excess of Revenues Over Expenditures</i>	<u>521,060</u>	<u>241,328</u>	<u>1,197,643</u>	<u>956,315</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	2,500	2,500	0	(2,500)
Advances In	39,863	39,863	21,739	(18,124)
Advances Out	(31,574)	(31,574)	(17,590)	13,984
Transfers Out	(1,085,672)	(1,085,672)	(1,059,001)	26,671
<i>Total Other Financing Sources (Uses)</i>	<u>(1,074,883)</u>	<u>(1,074,883)</u>	<u>(1,054,852)</u>	<u>20,031</u>
<i>Net Change in Fund Balance</i>	(553,823)	(833,555)	142,791	976,346
<i>Fund Balance Beginning of Year</i>	3,702,449	3,702,449	3,702,449	0
Prior Year Encumbrances Appropriated	40,929	40,929	40,929	0
<i>Fund Balance End of Year</i>	<u>\$3,189,555</u>	<u>\$2,909,823</u>	<u>\$3,886,169</u>	<u>\$976,346</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, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$289,100	\$289,100	\$322,615	\$33,515
Interest	25,900	25,900	33,473	7,573
<i>Total Revenues</i>	315,000	315,000	356,088	41,088
<b>Expenditures</b>				
Current:				
Economic Development	797,029	797,029	132,054	664,975
<i>Net Change in Fund Balance</i>	(482,029)	(482,029)	224,034	706,063
<i>Fund Balance Beginning of Year</i>	538,990	538,990	538,990	0
Prior Year Encumbrances Appropriated	25,080	25,080	25,080	0
<i>Fund Balance End of Year</i>	<u>\$82,041</u>	<u>\$82,041</u>	<u>\$788,104</u>	<u>\$706,063</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2007*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,058,296	\$1,123,344	\$2,181,640	\$0
Materials and Supplies Inventory	162,778	11,283	174,061	0
Accounts Receivable	258,337	356,482	614,819	0
Intergovernmental Receivable	0	5,313,727	5,313,727	0
Prepaid Items	26,034	22,266	48,300	0
Income Taxes Receivable	107,914	0	107,914	0
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	342,523	0	342,523	0
<i>Total Current Assets</i>	<u>1,955,882</u>	<u>6,827,102</u>	<u>8,782,984</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	445,865	0	445,865	0
Investments with Fiscal Agents	402,160	0	402,160	0
Cash and Cash Equivalents with Fiscal Agents	1,586	0	1,586	0
Deferred Charges	23,722	0	23,722	0
Nondepreciable Capital Assets	1,255,400	282,460	1,537,860	0
Depreciable Capital Assets, Net	<u>18,059,751</u>	<u>15,502,416</u>	<u>33,562,167</u>	<u>0</u>
<i>Total Noncurrent Assets</i>	<u>20,188,484</u>	<u>15,784,876</u>	<u>35,973,360</u>	<u>0</u>
<i>Total Assets</i>	<u>\$22,144,366</u>	<u>\$22,611,978</u>	<u>\$44,756,344</u>	<u>\$0</u>

(continued)

**City of Ravenna, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds (continued)*  
*December 31, 2007*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	\$64,630	\$28,353	\$92,983	\$0
Accrued Wages	47,226	38,251	85,477	0
Intergovernmental Payable	58,910	124,070	182,980	0
Compensated Absences Payable	75,200	70,412	145,612	0
Capital Leases Payable	12,844	12,844	25,688	0
Deferred Revenue	0	5,313,727	5,313,727	0
OPWC Loans Payable	23,303	0	23,303	0
OWDA Loans Payable	19,494	861,554	881,048	0
Claims Payable	0	0	0	39,610
Payable from Restricted Assets:				
Mortgage Revenue Bonds Payable	340,000	0	340,000	0
Accrued Interest Payable	2,523	0	2,523	0
<i>Total Current Liabilities</i>	<u>644,130</u>	<u>6,449,211</u>	<u>7,093,341</u>	<u>39,610</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	171,832	177,047	348,879	0
Capital Leases Payable	27,522	27,522	55,044	0
Mortgage Revenue Bonds Payable	355,801	0	355,801	0
OPWC Loans Payable	220,038	0	220,038	0
OWDA Loans Payable	395,318	12,670,012	13,065,330	0
<i>Total Long-Term Liabilities</i>	<u>1,170,511</u>	<u>12,874,581</u>	<u>14,045,092</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,814,641</u>	<u>19,323,792</u>	<u>21,138,433</u>	<u>39,610</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	17,944,553	2,212,944	20,157,497	0
Restricted for:				
Replacement and Improvement	275,000	0	275,000	0
Operation and Maintenance	574,611	0	574,611	0
Unrestricted (Deficit)	1,535,561	1,075,242	2,610,803	(39,610)
<i>Total Net Assets (Deficit)</i>	<u>\$20,329,725</u>	<u>\$3,288,186</u>	23,617,911	<u>(\$39,610)</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>(13,893)</u>	
Net assets of business-type activities			<u>\$23,604,018</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, 2007*

	<u>Business-Type Activities - Enterprise</u>			Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Operating Revenues</b>				
Charges for Services	\$2,757,756	\$2,927,529	\$5,685,285	\$1,467,256
Tap-In Fees	8,015	61,834	69,849	0
Fees, Licenses and Permits	9,620	0	9,620	0
Special Assessments	704	1,277	1,981	0
Other	62,028	22,628	84,656	0
<i>Total Operating Revenues</i>	<u>2,838,123</u>	<u>3,013,268</u>	<u>5,851,391</u>	<u>1,467,256</u>
<b>Operating Expenses</b>				
Personal Services	1,740,881	1,319,231	3,060,112	0
Materials and Supplies	790,133	274,830	1,064,963	0
Contractual Services	378,096	350,683	728,779	338,495
Depreciation	549,172	565,768	1,114,940	0
Claims	0	0	0	1,056,435
<i>Total Operating Expenses</i>	<u>3,458,282</u>	<u>2,510,512</u>	<u>5,968,794</u>	<u>1,394,930</u>
<i>Operating Income (Loss)</i>	<u>(620,159)</u>	<u>502,756</u>	<u>(117,403)</u>	<u>72,326</u>
<b>Non-Operating Revenues (Expenses)</b>				
Municipal Income Taxes	483,310	0	483,310	0
Interest and Fiscal Charges	(78,953)	(560,642)	(639,595)	0
Loss on Sale of Capital Assets	(63,699)	0	(63,699)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>340,658</u>	<u>(560,642)</u>	<u>(219,984)</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions and Transfers</i>	<u>(279,501)</u>	<u>(57,886)</u>	<u>(337,387)</u>	<u>72,326</u>
Capital Contributions	32,568	0	32,568	0
Transfers In	402,674	414,108	816,782	0
<i>Change in Net Assets</i>	<u>155,741</u>	<u>356,222</u>	<u>511,963</u>	<u>72,326</u>
<i>Net Assets (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>20,173,984</u>	<u>2,931,964</u>		<u>(111,936)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$20,329,725</u>	<u>\$3,288,186</u>		<u>(\$39,610)</u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net expense of the internal service fund is reported with business-type activities.

25,368

Change in net assets of business-type activities

\$537,331

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2007

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,726,575	\$2,933,544	\$5,660,119	\$0
Cash Received from Interfund Services Provided	0	0	0	1,467,256
Tap In Fees	8,015	61,834	69,849	0
Special Assessments	704	1,277	1,981	0
Other Operating Revenues	62,028	22,628	84,656	0
Cash Payments to Suppliers for Materials and Supplies	(823,930)	(278,974)	(1,102,904)	0
Cash Payments for Employee Services and Benefits	(1,758,081)	(1,313,721)	(3,071,802)	0
Cash Payments for Contractual Services	(369,852)	(359,668)	(729,520)	0
Cash Payments for Goods and Services	0	0	0	(338,495)
Cash Payments for Claims	0	0	0	(1,128,761)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(154,541)	1,066,920	912,379	0
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Municipal Income Taxes	548,606	39,492	588,098	0
Transfers In	402,674	414,108	816,782	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	951,280	453,600	1,404,880	0
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(85,360)	(17,661)	(103,021)	0
Capital Grants	32,568	0	32,568	0
Proceeds from OPWC Loans	50,000	0	50,000	0
Principal Paid on Revenue Bonds	(330,000)	0	(330,000)	0
Principal Paid on OWDA Loans	(18,801)	(821,103)	(839,904)	0
Principal Paid on OPWC Loans	(20,803)	0	(20,803)	0
Principal Paid on Capital Leases	(12,268)	(12,268)	(24,536)	0
Interest Paid on Revenue Bonds	(22,144)	0	(22,144)	0
Interest Paid on OWDA Loans	(1,262)	(545,906)	(547,168)	0
Interest Paid on Capital Leases	(823)	0	(823)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(408,893)	(1,396,938)	(1,805,831)	0
<i>Net Increase in Cash and Cash Equivalents</i>	387,846	123,582	511,428	0
<i>Cash and Cash Equivalents Beginning of Year</i>	1,460,424	999,762	2,460,186	0
<i>Cash and Cash Equivalents End of Year</i>	\$1,848,270	\$1,123,344	\$2,971,614	\$0

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**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Year Ended December 31, 2007*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	(\$620,159)	\$502,756	(\$117,403)	\$72,326
Adjustments:				
Depreciation	549,172	565,768	1,114,940	0
(Increase) Decrease in Assets:				
Accounts Receivable	(40,801)	(74,240)	(115,041)	0
Materials and Supplies Inventory	(58,581)	(3,160)	(61,741)	0
Prepaid Items	221	(9,006)	(8,785)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	32,807	(963)	31,844	0
Accrued Wages	(629)	2,918	2,289	0
Compensated Absences Payable	(5,735)	12,095	6,360	0
Intergovernmental Payable	(10,836)	70,752	59,916	0
Claims Payable	0	0	0	(72,326)
<i>Total Adjustments</i>	465,618	564,164	1,029,782	(72,326)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$154,541)	\$1,066,920	\$912,379	\$0

**Noncash Capital Financing Activities**

Fair market value of investments decreased from the beginning of the year to the end of the year by \$27,183.

See accompanying notes to the basic financial statements



**City of Ravenna, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2007*

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**Assets**

Equity in Pooled Cash and  
Cash Equivalents

\$35,405

**Liabilities**

Deposits Held and Due to Others

\$35,405

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

**A. Reporting Entity**

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

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

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

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

***A. Basis of Presentation***

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

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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***B. Fund Accounting***

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

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

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

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

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

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

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

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

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**C. Measurement Focus**

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

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

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

**D. Basis of Accounting**

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

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

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

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$499,720 which includes \$385,046 assigned from other City funds.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***G. Inventory***

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

***H. Bond Issuance Costs***

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

***I. Restricted Assets***

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

***J. Capital Assets***

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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 - 30 years	5 - 20 years
Vehicles	5 - 25 years	5 - 10 years
Infrastructure:		
Streets	50 - 75 years	n/a
Storm Drains	40 - 150 years	n/a
Sidewalks	40 years	n/a
Fire Hydrants	75 years	n/a
Traffic Lights	30 - 40 years	n/a
Water and Sewer Lines	n/a	60- 150 years

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

***K. Interfund Balances***

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

***L. Compensated Absences***

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

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



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

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

***N. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances, loans receivable (revolving loan monies loaned to local businesses) and unclaimed monies. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$11,307,634, none of which are restricted by enabling legislation. Net assets restricted for other purposes include recreation, recycling and law enforcement.

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

***P. Operating Revenues and Expenses***

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

***Q. Contributions of Capital***

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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***R. Internal Activity***

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

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

***S. Bond Discount***

Bond discounts for business-type activities are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable.

***T. Extraordinary and Special Items***

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

***U. Estimates***

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

***V. Budgetary Process***

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

**A. Change in Accounting Principles**

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$30,966 and \$59,518, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**B. Restatement of Net Assets**

During 2007, it was determined that intergovernmental receivables were overstated and that capital assets were understated. These restatements had the following effect on net assets as they were previously reported.

	Governmental Activities
Net Assets December 31, 2006	\$52,167,834
Intergovernmental Receivable	(192,415)
Capital Assets	99,411
Adjusted Net Assets, December 31, 2006	\$52,074,830

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

The City's water and sewer fund capital assets were overstated at December 31, 2006. These restatements had the following effect on net assets as they were previously reported.

	Water	Sewer	Total Business-Type Activities
Net Assets December 31, 2006	\$20,698,499	\$2,954,792	\$23,653,291
Overstatement of Capital Assets	(524,515)	(22,828)	(547,343)
Restated Net Assets December 31, 2006	\$20,173,984	\$2,931,964	23,105,948
Internal Balance			(39,261)
Adjusted Net Assets, December 31, 2006			\$23,066,687

**Note 4 – Accountability**

The deficit in the SAFE grants special revenue fund of \$4,467 was caused by revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The group hospitalization reserve internal service fund deficit of \$39,610 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.

**Note 5 - Budgetary Basis of Accounting**

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

Net Change in Fund Balances		
	General	Revolving Loan
GAAP Basis	\$270,965	\$256,518
Net Adjustment for		
Revenue Accruals	(695,815)	(80,106)
Advances In	21,739	0
Loan Payments Received	0	28,460
Net Adjustment for		
Expenditure Accruals	695,815	(102,808)
Advances Out	(17,590)	0
Loans Issued	0	121,970
Encumbrances	(132,323)	0
Budget Basis	\$142,791	\$224,034

**Note 6 - Deposits and Investments**

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

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

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$127,343 of the City's bank balance of \$227,343 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

Investments are reported at fair value. As of December 31, 2007, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
United States Treasury Notes	\$402,160	May 31, 2008
Repurchase Agreements		
Federal Home Loan Mortgage Note	825,000	January 1, 2008
STAROhio	<u>10,290,945</u>	Average - 41 Days
Total	<u><u>\$11,518,105</u></u>	

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

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

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities of the repurchase agreement are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 7 - Receivables**

Receivables at December 31, 2007 consisted primarily of municipal income taxes, property taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans and intergovernmental receivables arising from grants, entitlements and shared revenues.

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

Loans receivable presented in the special revenue funds represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under Federal Grant programs. The loans bear interest at annual rates ranging between zero and seven percent. The loans are to be repaid over periods ranging from five to thirteen years. Loans expected to be collected in more than one year are \$5,432,536.

Special assessments expected to be collected in more than one year amount to \$267,052 in the special assessment bond retirement fund. At December 31, 2007 the amount of delinquent special assessments was \$3,112.

**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 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes become a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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The full tax rate for all City operations for the year ended December 31, 2007, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

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

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, 2007 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 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

***B. Income Taxes***

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 66.49 percent of the annual income tax proceeds were credited to the general fund, 7.35 percent to street construction, maintenance and repair, 5.00 percent to recreation levy, and 4.00 percent is credited to emergency management services special revenue funds, 1.92 percent to park improvement and 8.10 percent to capital improvements capital projects fund and 7.14 percent to the water enterprise funds.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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***C. Intergovernmental***

A summary of intergovernmental receivables as of December 31, 2007, follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Local Government	\$329,999
Gasoline and Excise Tax	135,588
Estate Tax	72,713
Cents per Gallon Tax	70,548
Permissive Tax	55,842
SAFE Grants	55,667
Motor Vehicle License Tax	45,618
Homestead and Rollback	28,442
Metropolitan Housing Payment in Lieu of Taxes	10,345
Emergency Medical Services Grant	7,000
Liquor and Beer Permits	2,934
Auditor of State Reimbursements	2,879
Ordinance Fees	2,613
Total	<u><u>\$820,188</u></u>

During 1994, the City of Ravenna entered into a contractual agreement with Portage County for the construction of a sewage treatment facility and sewer lines. The County is responsible for 17.16 percent of the total loan commitment. The total amount owed to the City as of December 31, 2007 is \$152,335. The City owns and maintains the asset. The County is paying for the use of the asset. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.

During 2003, the City of Ravenna entered into a contractual agreement with Portage County for the expansion of the waste water treatment plant. The County is responsible for 50 percent of the total loan commitment. The total amount owed to the City as of December 31, 2007 is \$5,126,486. The City owns and maintains the asset. The County is paying for the use of the asset. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.

During 2004, the City of Ravenna entered into a contractual agreement with Windmill Enterprises for an extension of the City's sanitary sewage lines for use in a new housing development and a golf course clubhouse. The project was financed by a \$292,433 Ohio Water Development Authority loan which is signed by the City. Windmill Enterprises has agreed to pay the City 25 percent of the total loan commitment. The total amount owed to the City as of December 31, 2007 is \$34,906. 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, 2007*

**Note 8 – Interfund Transactions**

**A. Interfund Balances**

Interfund balances at December 31, 2007, consist of an interfund receivable in the general fund for \$10,714 and interfund payables of \$8,335 in the SAFE grant special revenue fund and \$2,379 in the emergency medical service special revenue fund.

The balance in the SAFE grant special revenue fund resulted from advances made from the general fund during 2007. These advances were made to cover qualifying expenditures in the grant fund which will be reimbursed when the grant monies are received by the City.

The balance in the emergency medical service special revenue fund resulted from advances made from the general fund during 2007. These advances were made to cover qualifying expenditures in the fund which will be reimbursed in the following year.

**B. Interfund Transfers**

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers To	Transfers From
	General
<i>Major Funds:</i>	
Water	\$402,674
Sewer	414,108
Nonmajor Governmental Funds	242,219
Total	\$1,059,001

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

**Note 9 - Risk Management**

The City of Ravenna is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the City contracted with two companies for various types of insurance as follows:

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

Company	Type of Coverage	Coverage
Fireman's Fund	Umbrella Liability	\$5,000,000
	General Liability	2,000,000
	Law Enforcement Liability - each person, each wrongful act	1,000,000
	Public Officials Liability	1,000,000
	Auto Liability	1,000,000
	Commercial Property	38,775,715
Zurich North American Surety	Bonds - Employees and Officials	100,000

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

The City 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 \$39,610 reported in the internal service fund at December 31, 2007, 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 2006 and 2007 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$81,582	\$1,033,959	\$1,003,605	\$111,936
2007	111,936	1,056,435	1,128,761	39,610

**Note 10 – Compensated Absences**

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

## **Note 11 - Contingencies**

### **A. Grants**

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2007.

### **B. Litigation**

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

## **Note 12 - Defined Benefit Pension Plans**

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

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$382,225, \$423,470, and \$406,475 respectively; 84.94 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$5,969 made by the City and \$4,095 made by the plan members.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$182,907 and \$193,543 for the year ended December 31, 2007, \$157,480 and \$175,379 for the year ended December 31, 2006, and \$142,826 and \$157,007 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 69.87 percent has been contributed for police and 68.54 percent has been contributed for firefighters for 2007.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2007, the unfunded liability of the City was \$100,531 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

***C. Social Security System***

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 13 - Postemployment Benefits**

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

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payments amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$251,765, \$207,132 and \$170,251 respectively; 84.94 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

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

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$96,833 and \$75,734 for the year ended December 31, 2007, \$103,870 and \$83,643 for the year ended December 31, 2006, and \$94,205 and \$74,880 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 69.87 percent has been contributed for police and 68.54 percent has been contributed for firefighters for 2007.



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2007

**Note 14 - Capital Assets**

Capital asset activity for the year ended December 31, 2007, was as follows:

	Restated Balance 12/31/06	Additions	Reductions	Balance 12/31/07
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$1,306,300	\$0	(\$8,500)	\$1,297,800
Construction in progress	40,138	27,892	(68,030)	0
Total capital assets not being depreciated	<u>1,346,438</u>	<u>27,892</u>	<u>(76,530)</u>	<u>1,297,800</u>
Capital assets being depreciated				
Buildings	4,941,456	0	(62,712)	4,878,744
Improvements other than Buildings	523,382	0	0	523,382
Furniture, Fixtures and Equipment	1,948,899	251,006	(23,247)	2,176,658
Vehicles	3,025,868	59,621	0	3,085,489
Infrastructure:				
Streets	43,223,959	0	0	43,223,959
Storm Drains	4,648,160	46,927	0	4,695,087
Sidewalks	8,662,500	21,103	0	8,683,603
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	610,800	0	0	610,800
Total capital assets being depreciated	<u>69,120,624</u>	<u>378,657</u>	<u>(85,959)</u>	<u>69,413,322</u>
Accumulated depreciation				
Buildings	(2,462,359)	(83,416)	46,438	(2,499,337)
Improvements other than Buildings	(279,167)	(24,552)	0	(303,719)
Furniture, Fixtures and Equipment	(1,055,624)	(184,669)	0	(1,240,293)
Vehicles	(1,474,402)	(262,091)	19,935	(1,716,558)
Infrastructure:				
Streets	(15,420,639)	(711,360)	0	(16,131,999)
Storm Drains	(2,301,752)	(35,994)	0	(2,337,746)
Sidewalks	(2,389,775)	(217,090)	0	(2,606,865)
Fire Hydrants	(553,209)	(20,475)	0	(573,684)
Traffic Lights	(288,809)	(17,308)	0	(306,117)
Total accumulated depreciation	<u>(26,225,736)</u>	<u>(1,556,955) *</u>	<u>66,373</u>	<u>(27,716,318)</u>
Capital assets being depreciated, net	<u>42,894,888</u>	<u>(1,178,298)</u>	<u>(19,586)</u>	<u>41,697,004</u>
Governmental activities capital assets, net	<u>\$44,241,326</u>	<u>(\$1,150,406)</u>	<u>(\$96,116)</u>	<u>\$42,994,804</u>

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2007

	Restated Balance 12/31/06	Additions	Reductions	Balance 12/31/07
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,537,860	\$0	\$0	\$1,537,860
Construction in progress	82,208	57,128	(139,336)	0
Total capital assets not being depreciated	<u>1,620,068</u>	<u>57,128</u>	<u>(139,336)</u>	<u>1,537,860</u>
Capital assets being depreciated				
Buildings	7,750,724	0	0	7,750,724
Improvements other than Buildings	14,533,215	0	0	14,533,215
Furniture, Fixtures and Equipment	8,139,570	0	0	8,139,570
Vehicles	82,342	0	0	82,342
Infrastructure:				
Water Lines	15,837,575	139,336	(125,237)	15,851,674
Sewer Lines	6,532,228	0	0	6,532,228
Total capital assets being depreciated	<u>52,875,654</u>	<u>139,336</u>	<u>(125,237)</u>	<u>52,889,753</u>
Accumulated depreciation				
Buildings	(2,913,690)	(140,658)	0	(3,054,348)
Improvements other than Buildings	(6,178,305)	(364,645)	0	(6,542,950)
Furniture, Fixtures and Equipment	(742,747)	(372,964)	0	(1,115,711)
Vehicles	(66,403)	(7,156)	0	(73,559)
Infrastructure:				
Water Lines	(5,678,105)	(167,108)	61,538	(5,783,675)
Sewer Lines	(2,694,934)	(62,409)	0	(2,757,343)
Total accumulated depreciation	<u>(18,274,184)</u>	<u>(1,114,940)</u>	<u>61,538</u>	<u>(19,327,586)</u>
Capital assets being depreciated, net	<u>34,601,470</u>	<u>(975,604)</u>	<u>(63,699)</u>	<u>33,562,167</u>
Business-type activities capital assets, net	<u>\$36,221,538</u>	<u>(\$918,476)</u>	<u>(\$203,035)</u>	<u>\$35,100,027</u>

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

General Government	\$21,493
Security of Persons and Property:	
Police	108,336
Fire	140,792
Leisure Time Activities	72,229
Public Health and Welfare	20,475
Community Environment	271,407
Transportation	886,229
Basic Utility Services	35,994
Total	<u>\$1,556,955</u>

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

**Note 15 - Long-term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Business-Type Activities</b>			
<i>Mortgage Revenue Bonds:</i>			
Waterworks System			
Revenue Refunding Bonds - 1999	3.50% to 4.35%	\$3,315,000	2009
<i>OPWC Loans:</i>			
Cotton Corners Waterline - 1994	0.00%	112,173	2015
Lakewood Road Waterline - 1996	0.00%	168,327	2016
Hayes Road Waterline - 2000	0.00%	69,190	2019
Highland Avenue Reconstruction - 2001	0.00%	35,823	2021
Lake Avenue Water and Storm Loan - 2003	0.00%	30,556	2023
Chestnut and Washington Water and Storm Sewers - 2007	0.00%	50,000	2027
<i>OWDA Loans:</i>			
Sewer - 1993	5.00%	5,476,391	2012
Lovers Lane Windmill Sewer - 2003	3.95%	292,433	2022
Kent/Ravenna Emergency Waterline - 2003	3.65%	486,102	2023
WWTP Expansion - 2003	3.77%	12,934,646	2024
<b>Governmental Activities</b>			
<i>General Obligation Bonds:</i>			
Streetscape Bonds - 1993	3.50% to 6.30%	995,000	2013
Streetscape Bonds - 1994	4.20% to 6.35%	171,514	2014
Municipal Building Improvement - 2003	4.00% to 5.00%	635,000	2023
<i>Special Assessment Bonds</i>			
<i>with Governmental Commitments:</i>			
Streetscape Bonds - 1994	4.20% to 6.35%	638,486	2014
<i>Library Bonds:</i>			
Reed Memorial Library Bonds - 2003	2.00% to 5.00%	5,350,000	2033
<i>Other Long-Term Obligations:</i>			

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2007

	Outstanding 12/31/06	Additions	(Reductions)	Outstanding 12/31/07	Amounts Due in One Year
<b>Business Type Activities</b>					
<b>Mortgage Revenue Bonds</b>					
Waterworks System Revenue Refunding Bonds	\$1,030,000	\$0	(\$330,000)	\$700,000	\$340,000
Discount on Refunding Bonds	(6,297)	2,098	0	(4,199)	0
<i>Total Mortgage Revenue Bonds</i>	<u>1,023,703</u>	<u>2,098</u>	<u>(330,000)</u>	<u>695,801</u>	<u>340,000</u>
<b>OPWC Loans</b>					
Cotton Corners Waterline	44,869	0	(5,609)	39,260	5,609
Lakewood Road Waterline	75,747	0	(8,416)	67,331	8,416
Hayes Road Waterline	43,244	0	(3,459)	39,785	3,460
Highland Avenue Reconstruction	25,076	0	(1,791)	23,285	1,791
Lake Avenue Water and Storm Loan	25,208	0	(1,528)	23,680	1,527
Chestnut and Washington					
Water and Storm Sewer Loan	0	50,000	0	50,000	2,500
<i>Total OPWC Loans</i>	<u>214,144</u>	<u>50,000</u>	<u>(20,803)</u>	<u>243,341</u>	<u>23,303</u>
<b>OWDA Loans</b>					
Sewer	2,075,662	0	(336,689)	1,738,973	353,733
Lovers Lane Windmill Sewer	245,907	0	(6,713)	239,194	11,955
Kent/Ravenna Emergency Waterline	433,613	0	(18,801)	414,812	19,494
WWTP Expansion	12,031,100	0	(477,701)	11,553,399	495,866
<i>Total OWDA Loans</i>	<u>14,786,282</u>	<u>0</u>	<u>(839,904)</u>	<u>13,946,378</u>	<u>881,048</u>
Capital Leases	105,268	0	(24,536)	80,732	25,688
Compensated Absences	488,131	160,187	(153,827)	494,491	145,612
<i>Total Business Type Activities</i>	<u>\$16,617,528</u>	<u>\$212,285</u>	<u>(\$1,369,070)</u>	<u>\$15,460,743</u>	<u>\$1,415,651</u>
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Streetscape Bonds - 1993	\$475,000	\$0	(\$55,000)	\$420,000	\$60,000
Streetscape Bonds - 1994	92,127	0	(9,527)	82,600	9,527
Municipal Building Improvement	565,000	0	(25,000)	540,000	25,000
<i>Total General Obligation Bonds</i>	<u>1,132,127</u>	<u>0</u>	<u>(89,527)</u>	<u>1,042,600</u>	<u>94,527</u>
<b>Special Assessment Bonds with Governmental Commitments</b>					
Streetscape Bonds - 1994	342,872	0	(35,474)	307,398	35,474
<b>Library Bonds</b>					
Reed Memorial Library Bonds	5,090,000	0	(100,000)	4,990,000	100,000
Discount on Reed Memorial Library Bonds	(50,432)	1,940	0	(48,492)	0
<i>Total Library Bonds</i>	<u>5,039,568</u>	<u>1,940</u>	<u>(100,000)</u>	<u>4,941,508</u>	<u>100,000</u>
Fire Pension	102,437	0	(1,906)	100,531	1,987
Capital Leases	280,706	614,160	(63,459)	831,407	87,844
Compensated Absences	1,022,573	400,282	(396,912)	1,025,943	346,830
<i>Total Governmental Activities</i>	<u>\$7,920,283</u>	<u>\$1,016,382</u>	<u>(\$687,278)</u>	<u>\$8,249,387</u>	<u>\$666,662</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 are pledged for payment from municipal income tax and water enterprise fund user service charges. OWDA loans are pledged for payment from the water and sewer enterprise fund user service charges.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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On June 1, 1999, the City issued \$3,315,000 in Revenue Bonds with a discount of \$22,032 and interest rates varying from 3.50 percent to 4.35 percent. In 1999, the City defeased a 1987 Series revenue bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2007, \$700,000 of the defeased bonds are still outstanding. The 1999 revenue bonds include a discount. This year the additions include \$2,098, which represents the accretion of discounted interest remaining on the bonds.

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

As of December 31, 2007 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, 2007, restricted the City's Water fund assets in the amount of \$574,611 for operation and maintenance. The bond indenture also requires 5 percent of sales, or \$275,000, to be set-aside for replacement and improvements.

The City has pledged future revenues, net of operating expenses, to repay revenue bonds, OPWC loans and OWDA loans in the water fund. The debt is payable solely from net revenues and are payable through 2027. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2007, the principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the bonds is \$1,540,302. Principal and interest paid for the current year and total net revenues were \$393,010 and \$462,019 respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the sewer fund. The debt is payable solely from net revenues and are payable through 2024. Annual principal and interest payments on the debt issues are expected to require 84 percent of net revenues. The total principal and interest remaining to be paid on the bonds and loans are \$18,023,953. Principal and interest paid for the current year and total net revenues were \$1,379,277 and \$1,165,470 respectively.

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

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

The City's overall legal debt margin was \$16,580,959 at December 31, 2007. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

**Business-Type Activities**

	Mortgage Revenue Bonds		OPWC	OWDA Loans	
	Principal	Interest	Loans	Principal	Interest
2008	\$340,000	\$30,280	\$23,303	\$881,048	\$537,470
2009	360,000	15,660	23,302	919,006	499,513
2010	0	0	23,303	958,633	459,884
2011	0	0	23,303	1,000,004	418,515
2012	0	0	23,303	825,128	375,233
2013 - 2017	0	0	82,862	3,428,432	1,482,587
2018 - 2022	0	0	30,705	4,131,741	779,277
2023 - 2027	0	0	13,260	1,802,386	76,117
<b>Total</b>	<b>\$700,000</b>	<b>\$45,940</b>	<b>\$243,341</b>	<b>\$13,946,378</b>	<b>\$4,628,596</b>

**Governmental Activities**

	General Obligation Bonds		Special Assessment Bonds		Library Bonds		Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$94,527	\$56,500	\$35,474	\$19,522	\$100,000	\$231,355	\$1,987	\$4,252
2009	100,585	50,956	39,415	17,270	105,000	228,905	2,073	4,166
2010	105,585	44,846	39,415	14,767	105,000	226,017	2,162	4,077
2011	111,643	38,514	43,356	12,264	110,000	222,763	2,255	3,984
2012	117,738	31,707	47,262	9,511	115,000	218,747	2,351	3,888
2013 - 2017	267,522	91,141	102,476	9,762	650,000	1,021,960	13,362	17,803
2018 - 2022	200,000	42,250	0	0	795,000	868,440	16,488	14,707
2023 - 2027	45,000	2,251	0	0	1,000,000	657,500	20,348	10,848
2028 - 2032	0	0	0	0	1,280,000	380,750	25,110	6,086
2033 - 2035	0	0	0	0	730,000	36,500	14,395	919
<b>Total</b>	<b>\$1,042,600</b>	<b>\$358,165</b>	<b>\$307,398</b>	<b>\$83,096</b>	<b>\$4,990,000</b>	<b>\$4,092,937</b>	<b>\$100,531</b>	<b>\$70,730</b>

**Note 16 – Note Payable**

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

	Balance			Balance
	12/31/06	Additions	Reductions	12/31/07
3.80% Capital Improvements Fund	\$205,000	\$138,200	\$205,000	\$138,200

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

On November 15, 2007, the City issued \$138,200 of bond anticipation notes for the purpose of cemetery improvements. The notes are backed by the full faith and credit of the City and mature November 13, 2008. The note liability is reflected in the fund which received the proceeds and will repay the debt.

**Note 17 - Capital Leases**

During 2007, the City entered into a lease agreement for a COMDOC copier and a garage for the street department. The City also has existing leases for the acquisition of two copy machines, a mailing system, a sewer cleaner and a fire engine. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The governmental and business-type machinery and equipment and vehicles have been capitalized in the amount of \$1,058,552 and \$133,715, respectively, the present value of the minimum lease payments at the inception of the lease.

The assets acquired through capital leases are as follows:

<i>Asset:</i>	Governmental Activities	Business-type Activities
Machinery and Equipment	\$118,944	\$133,715
Buildings	600,000	0
Vehicles	339,608	0
Historical Cost	1,058,552	133,715
Less: Accumulated Depreciation	(207,988)	(26,743)
Total Book Value as of December 31, 2007	<u>\$850,564</u>	<u>\$106,972</u>

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

Year Ending December 31,	Governmental Activities	Business-type Activities
2008	\$102,364	\$29,472
2009	102,365	29,472
2010	100,989	29,472
2011	95,329	0
2012	92,009	0
2013-2017	381,000	0
Total Minimum Lease Payments	874,056	88,416
Less: Amount Representing Interest	(42,649)	(7,684)
Present Value of Minimum Lease	<u>\$831,407</u>	<u>\$80,732</u>

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 18 - Jointly Governed Organization**

***Metro Critical Response and Rescue Team (CRRT)*** The Metro Critical Response and Rescue Team is a multi-jurisdictional tactical unit consisting of member agencies within Summit County as well as selected out of county agencies. The CRRT is a team of specially trained police officers from participating political subdivisions which will respond to any incident where special weapons and tactics are needed within the member jurisdictions. Each agency has a departmental representative that collectively constitutes the “Board of Directors”. As a representative from one department you are allotted one vote in the decision making process of CRRT matters. The CRRT Board of Directors is directed by an Executive Board consisting of a President, Vice-President and Secretary as elected annually from the members of the Board of Directors. The Board of Directors controls the budget and all financial concerns. In 2007, the City contributed \$3,667, which represents 5 percent of the total contribution.

**Note 19 - Joint Venture**

***Maple Grove Union Cemetery*** - The City participates in the Maple Grove Union Cemetery which is a statutorily created union cemetery, formed under chapter 759.27 of the Ohio Revised Code. The Cemetery’s functions include the funding and operation of the cemetery which is located in both the City of Ravenna and the Township of Ravenna. It is governed by a three member board comprised of one member of the Township, one member of the City and one member voted on by the Board. The Board of Trustees approves its own budget, appoints personnel and oversees accounting and finance related activities. Each participant’s control is limited to its membership representation. The continued existence of the Cemetery is dependent upon the City’s continued participation, however, the City does not have an equity interest in the Cemetery. The Cemetery is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the City. The parties share in the costs of the operation of the cemetery based upon the prorated property valuations of each entity. The City’s percentage for 2007 was 62.0 percent. During 2007, \$164,544 was paid by the City for operating expenses and capital outlay. Complete financial statements may be obtained from the Maple Grove Union Cemetery, Ravenna, Ohio.

**Note 20 – Related Organization**

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

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



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

Honorable Mayor and  
Members of City Council  
Ravenna, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Ohio (the “City”) as of and for the year ended December 31, 2007, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 29, 2008, wherein we noted the City adopted *Governmental Accounting Standards Board Statement Nos. 45, 48 and 50*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control.

We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2007-1.

Honorable Mayor and  
Members of the City Council  
Ravenna, Ohio

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding number 2007-1 to be a material weakness.

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of the City in a separate letter dated December 29, 2008.

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

This report is intended solely for the information and use of management, the finance committee, City Council and Auditor of States' office and is not intended to be and should not be used by anyone other than these specified parties.

*Cioni & Parichi, Inc.*

Cleveland, Ohio  
December 29, 2008

# City of Ravenna

## Schedule of Findings

December 31, 2007

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### 1. Summary of Auditors' Results

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
Were there any other material weaknesses reported at the financial statement level (GAGAS)?	Yes
Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

### 2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

2007-1 – Significant Deficiency/Material Weakness

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

The following audit adjustments were made to the financial statements:

1. Restatement of Net Assets at December 31, 2006 for prior year overstatement of intergovernmental receivables, understatement of governmental capital assets and overstatement of water and sewer fund capital assets.
2. Adjusted accounts payable to actual.
3. Adjusted loans receivable and related revenue and expenditure accounts to actual.

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

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

### 3. Other Findings

None.

# City of Ravenna

## Schedule of Prior Year Findings

**December 31, 2007**

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### 1. Revolving Loan Fund – Loans Receivable

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

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

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

1. By reviewing NDS total loans receivables on the 12/31/06 Peachtree trial balance we found it did not agree to the total of the individual loan accounts in the Loan Ledger maintained by NDS. Various reasons for the differences were determined to include but are not limited to, the timing of the posting of individual loan activity, new issues and repayments and posting to the Peachtree trial balance.
2. The total new loans issued in 2006, per the City's detailed expenditure ledger, did not agree to the total new loans issued as recorded within the NDS Loan Ledger and Peachtree software for year ended December 31, 2006.
3. Duplicate loans were recorded on the Loan Ledger as of December 31, 2006. A total of \$197,422 was recorded twice on the Loan Ledger. This total includes a loan to NDS recorded for \$78,280. The money for this loan was not drawn by NDS as of December 31, 2006 and therefore the receivable should not be recorded. Appropriate adjustments have been made to ensure that these loans are not duplicated in Peachtree or on the City's December 31, 2006 Financial Statements.
4. Adjustments to the Loan Ledger were made in December 2006 to remove 5 of the duplicate loans mentioned above that had been reissued and already re-recorded in the Loan Ledger in 2004 or 2005. Four of these loans were correctly reflected as a credit entry (receipt) on the December monthly cash report, but one was not. It was determined that the one loan did not appear on the December monthly cash report because it was not adjusted until 1/4/07 and the year end was not closed out by NDS within the Loan Ledger until that date.
5. New loans were posted to the Loan Ledger and to Peachtree during 2006. However, the related expenditures for projects associated with these loans did not occur until 2007. These loans have been removed from the total loans receivable at December 31, 2006.

# City of Ravenna

## Schedule of Prior Year Findings (Continued)

**December 31, 2007**

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### Revolving Loan Fund – Loans Receivable – (Continued)

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

We recommend the following:

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

# City of Ravenna

## Schedule of Prior Year Findings (Continued)

**December 31, 2007**

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### Revolving Loan Fund – Loans Receivable – (Continued)

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

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

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

The City has corrected these findings in the current year.

# City of Ravenna

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

Response to Findings Associated With  
Audit Conducted In Accordance With  
*Government Auditing Standards*  
For The Year Ended December 31, 2007

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
2007-1	Management will create and implement written policies and procedures relating to the financial reporting process.	N/A	Kimble Cecora, Finance Director







**Mary Taylor, CPA**  
Auditor of State

**CITY OF RAVENNA**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2009**