

# **City of Ravenna, Ohio**

**Basic Financial Statements  
December 31, 2009**





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, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 19, 2010

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# City of Ravenna, Ohio

For The Year Ended December 31, 2009

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# City of Ravenna, Ohio

For The Year Ended December 31, 2009

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## Independent Auditors' Report

Honorable Mayor and Members of Council  
Ravenna, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Ohio (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Revolving Loan Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*; GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*; GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan*; and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Honorable Mayor and Members of Council  
Ravenna, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cimini & Panichi, Inc.*

Cleveland, Ohio  
June 22, 2010

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*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, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- The highlight of 2009 was, without question, the permanent renewal of a .25 percent income tax levy to continue funding water operations and capital improvements. As noted in the closing narrative below, the ability to maintain this revenue stream became critical as the general fund annual operating deficit continued to grow, leaving it unable to provide any relief to a business-type activity.
- The tone for 2009 was set in early May, when the preliminary 2010 Tax Budget revealed mounting annual operating deficits for the near future. With no relief in sight on the revenue side of the equation, significant reductions in budgeted general fund expenditures would be needed so as not to extinguish the entire fund balance at the end of 2010. The budget gap was widened even more when it became apparent that projected income tax revenues would not reach 2008 levels, necessitating a \$400,000 adjustment. The narrative at the end of this discussion and analysis details the steps management took to begin the process of making permanent expenditure reductions.

***Using this Annual Financial Report***

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

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

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

***Statement of Net Assets and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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

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

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

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

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

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

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The City of Ravenna maintains eighteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and the revolving loan special revenue fund which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

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

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

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

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

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

***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 2009 compared to 2008.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Table 1**  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$16,196,777	\$17,551,085	\$10,080,320	\$9,460,137	\$26,277,097	\$27,011,222
Capital Assets, Net	40,966,665	42,117,014	33,385,595	34,373,279	74,352,260	76,490,293
<b>Total Assets</b>	<b>57,163,442</b>	<b>59,668,099</b>	<b>43,465,915</b>	<b>43,833,416</b>	<b>100,629,357</b>	<b>103,501,515</b>
<b>Liabilities</b>						
Current Liabilities	1,338,594	1,621,013	5,685,366	5,036,365	7,023,960	6,657,378
Long-Term Liabilities						
Due Within One Year	568,246	802,757	1,083,116	1,453,168	1,651,362	2,255,925
Due in More Than One Year	7,017,534	7,286,784	12,866,139	13,643,760	19,883,673	20,930,544
<b>Total Liabilities</b>	<b>8,924,374</b>	<b>9,710,554</b>	<b>19,634,621</b>	<b>20,133,293</b>	<b>28,558,995</b>	<b>29,843,847</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	39,155,952	39,983,161	19,816,298	19,743,428	58,972,250	59,726,589
Restricted for:						
Capital Projects	1,169,120	1,294,839	0	0	1,169,120	1,294,839
Debt Service	196,766	194,433	0	0	196,766	194,433
Revolving Loans	7,071,743	7,158,153	0	0	7,071,743	7,158,153
Street Construction, Maintenance and Repair	1,100,495	1,142,476	0	0	1,100,495	1,142,476
Emergency Medical Services	604,218	634,478	0	0	604,218	634,478
Other Purposes	750,487	660,185	0	0	750,487	660,185
Replacement and Improvement	0	0	0	275,000	0	275,000
Operation and Maintenance	0	0	0	575,513	0	575,513
Unrestricted (Deficit)	(1,809,713)	(1,110,180)	4,014,996	3,106,182	2,205,283	1,996,002
<b>Total Net Assets</b>	<b>\$48,239,068</b>	<b>\$49,957,545</b>	<b>\$23,831,294</b>	<b>\$23,700,123</b>	<b>\$72,070,362</b>	<b>\$73,657,668</b>

By comparing assets and liabilities, one can see the overall position of the City has decreased as evidenced by the decrease in net assets. Management continues to diligently plan expenses, maintaining excellent levels of service within the constraints of the budget.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2009 and 2008.

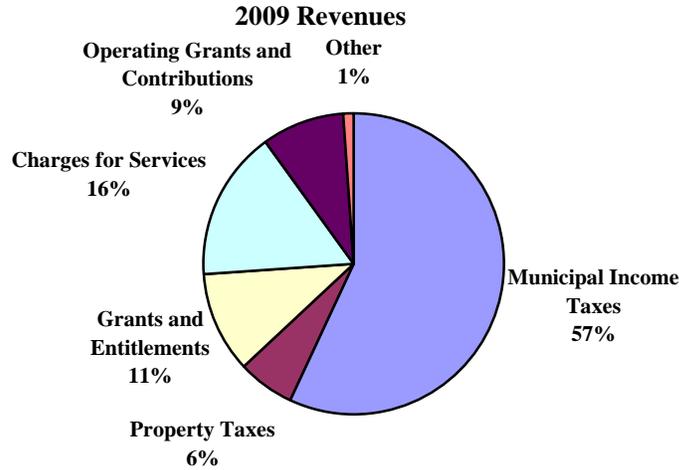
**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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

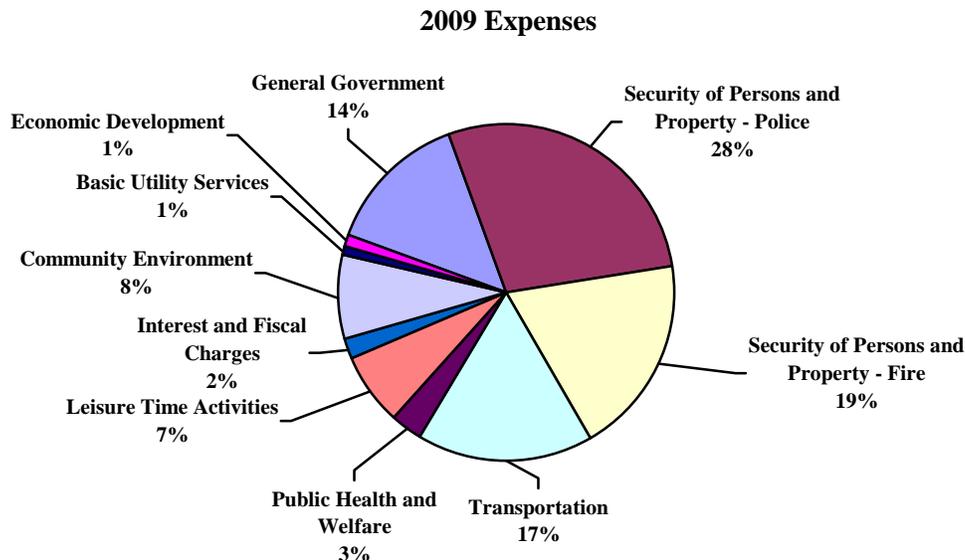
	Governmental		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues						
Charges for Services and Assessments	\$1,802,404	\$1,649,813	\$5,596,093	\$5,829,896	\$7,398,497	\$7,479,709
Operating Grants and Contributions	1,063,789	1,331,017	0	0	1,063,789	1,331,017
Capital Grants and Contributions	54,538	39,275	334,097	144,779	388,635	184,054
Total Program Revenues	2,920,731	3,020,105	5,930,190	5,974,675	8,850,921	8,994,780
General Revenues						
Property Taxes	638,140	682,259	0	0	638,140	682,259
Income Taxes	6,558,506	7,136,429	591,173	549,013	7,149,679	7,685,442
Grants and Entitlements	1,295,019	1,197,783	0	0	1,295,019	1,197,783
Investment Earnings	28,473	280,659	474	0	28,947	280,659
Gain on Sale of Capital Assets	0	5,392	13,069	0	13,069	5,392
Miscellaneous	96,742	82,069	100,931	115,574	197,673	197,643
Total General Revenues	8,616,880	9,384,591	705,647	664,587	9,322,527	10,049,178
<i>Total Revenues</i>	11,537,611	12,404,696	6,635,837	6,639,262	18,173,448	19,043,958
<b>Program Expenses</b>						
General Government	(1,711,138)	(1,667,880)	0	0	(1,711,138)	(1,667,880)
Security of Persons and Property:						
Police	(3,506,856)	(3,469,502)	0	0	(3,506,856)	(3,469,502)
Fire	(2,355,329)	(2,421,555)	0	0	(2,355,329)	(2,421,555)
Leisure Time Activities	(874,971)	(916,499)	0	0	(874,971)	(916,499)
Public Health and Welfare	(335,171)	(345,666)	0	0	(335,171)	(345,666)
Community Environment	(956,004)	(1,350,847)	0	0	(956,004)	(1,350,847)
Transportation	(2,177,153)	(2,231,967)	0	0	(2,177,153)	(2,231,967)
Basic Utility Services	(108,195)	(169,741)	0	0	(108,195)	(169,741)
Economic Development	(158,350)	(39,626)	0	0	(158,350)	(39,626)
Interest and Fiscal Charges	(323,485)	(332,380)	0	0	(323,485)	(332,380)
Water	0	0	(4,220,357)	(4,677,279)	(4,220,357)	(4,677,279)
Sewer	0	0	(3,033,745)	(3,063,091)	(3,033,745)	(3,063,091)
Total Program Expenses	(12,506,652)	(12,945,663)	(7,254,102)	(7,740,370)	(19,760,754)	(20,686,033)
Excess of Revenues Over (Under) Expenses	(969,041)	(540,967)	(618,265)	(1,101,108)	(1,587,306)	(1,642,075)
Transfers	(749,436)	(813,821)	749,436	813,821	0	0
Change in Net Assets	(1,718,477)	(1,354,788)	131,171	(287,287)	(1,587,306)	(1,642,075)
Net Assets Beginning of Year	49,957,545	51,312,333	23,700,123	23,987,410	73,657,668	75,299,743
Net Assets End of Year	\$48,239,068	\$49,957,545	\$23,831,294	\$23,700,123	\$72,070,362	\$73,657,668

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Governmental Activities**



Several sources fund our governmental activities with the City income tax being the largest component. An income tax of 2 percent is levied on all income earned within the City. The loss of jobs in the local market over the past three years is the primary factor for the decline in income tax revenues from 2008. As detailed in the Related Financial Activity section at the end of the discussion and analysis, a sizable budget adjustment was made to projected tax revenues in 2009. For the first time in nearly 20 years, annual tax receipts lagged behind the prior year to a point where a budget adjustment was needed to more realistically portray anticipated revenues. Program revenues, including charges for services and assessments, operating grants and contributions and capital grants and contributions make up the second largest revenue source within the City. Charges for services increased in 2009, primarily due to an increase in ambulance billing rates and several fee adjustments. Operating grants and contributions decreased in 2009 mainly to a decrease in the availability of grants available to the City. The City actively pursues all forms of grants available to them. Investment income for 2009 was significantly less than in 2008, as interest rates plummeted from an average of 2.53 percent in 2008 to .28 percent in 2009. Investments were further diversified in 2009 to include instruments with longer maturities in hopes of capturing at least a 1 percent or better return in the current market.



**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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Major expense activities continue to be:

Security of Persons and Property is the largest cost center accounting for almost half of all expenses. Spending for police increased slightly in 2009 due to the contractually obligated annual cost of living increase of 3 percent on all police and fire wages.

Transportation remains the second largest cost component of all governmental expenses. As in the case with the safety force increase noted above, the street department was also impacted by a negotiated 3 percent wage increase for 2009, driving annual operating costs over the 2008 level.

***Business-Type Activities***

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

***Governmental Funds***

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

At the end of 2009, the City of Ravenna reported combined governmental fund balances of \$13,172,177. Of this amount, \$7,000,574 constitutes unreserved balances, which is available for spending. The remaining \$6,171,603 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 \$5,555,319 represent 90.0 percent of the reserve. The reserve for encumbrances accounted for 9.9 percent of the reserved fund balances.

Combined governmental funds had total revenues of \$11,684,089 and expenditures of \$11,871,228 leaving a difference of expenditures over revenues of \$187,139. This compares to the 2008 revenue-over-expenditure number of \$437,794.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. Budget change requests are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes typically consist of requests for capital expenditures. The general fund supports many major activities that include police, fire, and a portion of EMS services, in addition to being the funding source for legislative and administrative activities. The general fund is monitored closely with regard to annual revenues and related expenditures, as an ongoing effort to ensure revenues and expenditures are kept in balance on an annual basis, independent of any available fund balance. This objective has been incorporated as a key component of the Budget Commission's review process in an effort to identify annual deficits that could potentially erode the fund balance. Further discussion on the projected outlook of the general fund can be found in the *Current Financial Related Activities* section below.

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

The original 2009 general fund revenues were budgeted at \$7,335,703 and final budgeted revenues were \$7,025,404. The difference between the general fund's original and final amended budget is mainly due to a decrease in property tax, income tax and intergovernmental revenues. Original appropriations in the general fund were budgeted at \$7,872,343 and final appropriations were \$8,009,357. The appropriation increase was comprised mostly of departmental requests for additional operating items throughout the year. Final appropriations for the revolving loan special revenue fund were \$781,326 more than actual expenditures.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 3 shows 2009 balances of capital assets as compared to 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$1,297,800	\$1,297,800	\$1,565,260	\$1,537,860	\$2,863,060	\$2,835,660
Buildings	2,223,746	2,295,762	4,502,282	4,642,940	6,726,028	6,938,702
Improvements other than Buildings	186,991	210,761	7,507,357	7,869,686	7,694,348	8,080,447
Furniture, Fixtures and Equipment	1,209,190	1,137,122	6,396,528	6,701,300	7,605,718	7,838,422
Vehicles	1,263,475	1,387,904	30,946	8,754	1,294,421	1,396,658
Infrastructure	34,785,463	35,787,665	13,383,222	13,612,739	48,168,685	49,400,404
Total Capital Assets	<u>\$40,966,665</u>	<u>\$42,117,014</u>	<u>\$33,385,595</u>	<u>\$34,373,279</u>	<u>\$74,352,260</u>	<u>\$76,490,293</u>

Total capital assets for governmental activities of the City of Ravenna were \$40,966,665, a decrease of \$1,150,349 from 2008. The decrease was due primarily to annual depreciation being taken on the assets. Capital assets for business-type activities were \$33,385,595 a decrease of \$987,684 from 2008. This decrease was due to annual depreciation. Additional information concerning the City's capital assets can be found in Note 13 to the basic financial statements.

*Long-term Obligations*

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$847,488	\$948,073	\$0	\$0	\$847,488	\$948,073
Special Assessment Bonds	232,509	271,924	0	0	232,509	271,924
Library Bonds	4,740,387	4,843,447	0	0	4,740,387	4,843,447
Mortgage Revenue Bonds	0	0	0	357,899	0	357,899
OPWC Loans	0	0	282,938	268,788	282,938	268,788
OWDA Loans	0	0	13,258,207	13,959,980	13,258,207	13,959,980
Fire Pension	96,471	98,544	0	0	96,471	98,544
Capital Leases	730,716	845,356	28,152	55,044	758,868	900,400
Compensated Absences	938,209	1,082,197	379,958	455,217	1,318,167	1,537,414
Total	<u>\$7,585,780</u>	<u>\$8,089,541</u>	<u>\$13,949,255</u>	<u>\$15,096,928</u>	<u>\$21,535,035</u>	<u>\$23,186,469</u>

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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At December 31, 2009, the City of Ravenna had governmental long-term obligations of \$7,585,780 in bonds, fire pension, capital leases and compensated absences outstanding. The Library bonds account for \$4,740,387 or 62.5 percent of the total governmental activities. At December 31, 2009 the City had \$13,949,255 outstanding in long-term business-type obligations, which include OPWC loans, OWDA loans, capital leases and compensated absences. Table 4 summarizes the City's long-term obligations outstanding.

The general obligation bonds consist of a 1993 street improvement bond, a 1994 street improvement bond and a municipal building improvement bond. The special assessment bond is also related to the 1994 street improvement project and is repaid from the collection of assessments by the County Auditor from the specific property owners who benefit from the project. As previously noted, the library improvement bonds represent debt, as principal and interest are paid by the taxes provided by a property tax levy through the Reed Memorial Library. In total, governmental long-term obligations, net of the library bond, are \$2,845,393.

Business-type debt includes OPWC loans outstanding for infrastructure improvement projects which are repaid using water revenues. The OWDA loans consist of 1993 and 2005 wastewater treatment plant loans. The 1993 loan is paid exclusively with sewer revenue, while the 2005 loan is paid for with a combination of sewer revenues, income tax receipts, and participation revenues from Portage County as noted above. Additional information concerning debt issuances can be found in Note 14 to the basic financial statements.

### **Current Financial Related Activities**

#### **Water Fund**

The permanent renewal of a .25 percent income tax levy to continue funding water operations and capital improvements became the focal point of early 2009. The tax was originally approved in 1979 to assist funding a new water plant for the City and was designed to provide not only funds for servicing debt, but also for day-to-day operations and permanent improvements. The levy was set to expire at the end of 2009, however the supplemental funding provided to water operations was a key component to the City's ability to keep water rates in check. The levy provided over \$900,000 annually to the fund and was the primary reason the City was able to maintain its improvement and upgrade program with regard to the physical facility, as well as to invest in annual infrastructure improvements. Without the levy, it was projected that water rates would, at minimum, need to double to replace the revenue stream generated by the tax.

While the idea of placing an issue on the ballot seemed contrary to the prevailing public sentiment of taxation in general, Ravenna residents responded in the affirmative when confronted with the economic reality of the situation. Voters weighed the option of maintaining the existing tax versus facing the certainty of a significant water rate increase. The vote carried in favor of the levy due to the fact that the majority of City residents work in communities with an income tax rate equal to, or greater than Ravenna's, creating a one-sided option to keep water rates down. The funding is now in place for the future, and with all that was transpiring in the general fund, the timing could not have been better.

#### **General Fund**

As noted in the Financial Highlight section, annual operating deficits were taking their toll on all fund balances, and the general fund was hit hardest due to rising costs and declining revenues. With the 2009 revenue-to-expenditure picture already well in the red, the rough draft of the 2010 Tax Budget prompted the City's Budget Commission to begin implementing a series of cost-cutting moves aimed at reducing both the short and long term deficits. To begin, 2009 non-payroll items were reduced to fund only minimum operating standards. This move produced an immediate reduction of over \$250,000 City-wide and the same budgetary cuts were rolled over into the 2010 projections.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The next phase of the expenditure reduction plan involved permanent payroll reductions and policy changes that affect labor costs. With a target date of January 1, 2010, five full time non-union positions would be eliminated, two retirements in the Police Department would not be filled, and two Firefighter vacancies would be left unfilled. To create greater flexibility for management, outsourcing and temporary labor would make up any gaps created by the elimination of jobs. A restructuring of The Police Department, produced significant savings as both the Records Department and School Resource Program were downsized.

The original 2010 budget called for a 3 percent wage increase for all union and non-union employees. City Council rescinded the non-union 3 percent and elected officials followed suit with letters to the Finance Office refusing their raises. In an effort to further set the tone for seeking union concessions, Council also passed legislation that eliminated non-union out of class pay, and invoked language that prohibited employee spouses from obtaining City healthcare, if available from another source. With all the non-union changes bundled and executed in January of 2010, the unions responded unanimously by forgoing their 3 percent increases, creating a significant savings for the year.

The original 2010 Tax Budget was published with a general fund annual operating deficit of \$1,838,774. By the time the City's permanent 2010 Budget was passed by Council in March 2010, the annual operating deficit in the general fund had been cut to \$830,122, a reduction of over \$1 million dollars.

#### **Street and Parks and Recreation Funds**

The street and recreation funds also underwent significant changes as staffing was reduced and retirements were not filled. Much like the general fund, the relative health of the street fund is predicated on income tax receipts. As tax revenues were adjusted downward in back-to-back years, the street department was able to plug the revenue gap by taking advantage of not filling two vacancies created by retirements. In addition to these retirements, a clerical position was permanently eliminated in the department.

The parks and recreation department was also felt the effects of sagging income tax receipts as 46 percent of their total annual revenues are provided by specific levies. Combined with stagnant Athletic Center memberships, the entire recreation function struggled to reach the annual break-even point. Permanent reductions in labor and operating costs combined with a modest increase in membership rates helped to add back some of the shortfall. The future projections for the Recreation function as a whole point to the need for a reevaluation of the department's overall structure with regards to the services provided.

#### **Summary**

Moving forward into 2010, revenues remain at the projected levels with no further signs of significant declines on the horizon. That leaves the City faced with another round of budget cuts in an attempt to balance annual operating budgets. While the cuts implemented over the past 6 months have provided material deficit reductions, the City has prepared a second phase of expenditure reductions to further close the gap between annual revenues and expenditures.

#### **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, 2009*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,134,571	\$3,594,236	\$9,728,807
Cash and Cash Equivalents			
With Fiscal Agents	469	0	469
Materials and Supplies Inventory	77,003	202,207	279,210
Accounts Receivable	714,245	530,126	1,244,371
Internal Balances	39,730	(39,730)	0
Intergovernmental Receivable	729,165	5,572,672	6,301,837
Prepaid Items	65,788	33,072	98,860
Income Taxes Receivable	1,314,157	187,737	1,501,894
Property Taxes Receivable	699,710	0	699,710
Special Assessments Receivable	249,362	0	249,362
Loans Receivable	6,172,577	0	6,172,577
Nondepreciable Capital Assets	1,297,800	1,565,260	2,863,060
Depreciable Capital Assets, Net	39,668,865	31,820,335	71,489,200
<i>Total Assets</i>	<u>57,163,442</u>	<u>43,465,915</u>	<u>100,629,357</u>
<b>Liabilities</b>			
Accounts Payable	163,900	47,604	211,504
Accrued Wages	81,397	32,444	113,841
Intergovernmental Payable	349,239	81,058	430,297
Matured Bonds Payable	469	0	469
Accrued Interest Payable	34,706	1,264	35,970
Claims Payable	113,274	0	113,274
Deferred Revenue	595,609	5,522,996	6,118,605
Long-Term Liabilities:			
Due Within One Year	568,246	1,083,116	1,651,362
Due In More Than One Year	7,017,534	12,866,139	19,883,673
<i>Total Liabilities</i>	<u>8,924,374</u>	<u>19,634,621</u>	<u>28,558,995</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	39,155,952	19,816,298	58,972,250
Restricted for:			
Capital Projects	1,169,120	0	1,169,120
Debt Service	196,766	0	196,766
Revolving Loans	7,071,743	0	7,071,743
Street Construction, Maintenance and Repair	1,100,495	0	1,100,495
Emergency Medical Services	604,218	0	604,218
Other Purposes	750,487	0	750,487
Unrestricted (Deficit)	(1,809,713)	4,014,996	2,205,283
<i>Total Net Assets</i>	<u>\$48,239,068</u>	<u>\$23,831,294</u>	<u>\$72,070,362</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$1,711,138	\$206,696	\$619	\$27,713
Security of Persons and Property:				
Police	3,506,856	291,464	60,856	0
Fire	2,355,329	581,135	477	0
Leisure Time Activities	874,971	422,039	4,717	26,825
Public Health and Welfare	335,171	28,662	117	0
Community Environment	956,004	265,782	331,004	0
Transportation	2,177,153	0	596,006	0
Basic Utility Services	108,195	6,572	27	0
Economic Development	158,350	54	69,966	0
Interest and Fiscal Charges	323,485	0	0	0
<i>Total Governmental Activities</i>	<u>12,506,652</u>	<u>1,802,404</u>	<u>1,063,789</u>	<u>54,538</u>
<b>Business-Type Activities:</b>				
Water	4,220,357	2,660,149	0	284,843
Sewer	3,033,745	2,935,944	0	49,254
<i>Total Business-Type Activities</i>	<u>7,254,102</u>	<u>5,596,093</u>	<u>0</u>	<u>334,097</u>
<i>Total</i>	<u>\$19,760,754</u>	<u>\$7,398,497</u>	<u>\$1,063,789</u>	<u>\$388,635</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  
Gain on Sale of Capital Assets  
Interest  
Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,476,110)	\$0	(\$1,476,110)
(3,154,536)	0	(3,154,536)
(1,773,717)	0	(1,773,717)
(421,390)	0	(421,390)
(306,392)	0	(306,392)
(359,218)	0	(359,218)
(1,581,147)	0	(1,581,147)
(101,596)	0	(101,596)
(88,330)	0	(88,330)
(323,485)	0	(323,485)
(9,585,921)	0	(9,585,921)
0	(1,275,365)	(1,275,365)
0	(48,547)	(48,547)
0	(1,323,912)	(1,323,912)
(9,585,921)	(1,323,912)	(10,909,833)
638,140	0	638,140
4,672,454	0	4,672,454
525,691	0	525,691
357,614	0	357,614
286,091	0	286,091
716,656	0	716,656
0	591,173	591,173
1,295,019	0	1,295,019
0	13,069	13,069
28,473	474	28,947
96,742	100,931	197,673
8,616,880	705,647	9,322,527
(749,436)	749,436	0
7,867,444	1,455,083	9,322,527
(1,718,477)	131,171	(1,587,306)
49,957,545	23,700,123	73,657,668
\$48,239,068	\$23,831,294	\$72,070,362

**City of Ravenna, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2009*

	<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	\$2,577,191	\$899,166	\$2,654,065	\$6,130,422
Cash and Cash Equivalents With Fiscal Agents	0	0	469	469
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,149	0	0	4,149
Materials and Supplies Inventory	23,303	0	53,700	77,003
Accounts Receivable	175,521	0	538,724	714,245
Interfund Receivable	14,618	0	0	14,618
Intergovernmental Receivable	387,580	0	341,585	729,165
Prepaid Items	40,734	0	25,054	65,788
Income Taxes Receivable	918,108	0	396,049	1,314,157
Property Taxes Receivable	699,710	0	0	699,710
Special Assessments Receivable	20,625	0	228,737	249,362
Loans Receivable	0	6,172,577	0	6,172,577
<i>Total Assets</i>	<u>\$4,861,539</u>	<u>\$7,071,743</u>	<u>\$4,238,383</u>	<u>\$16,171,665</u>
<b>Liabilities</b>				
Accounts Payable	\$64,043	\$0	\$99,857	\$163,900
Accrued Wages	64,488	0	16,909	81,397
Intergovernmental Payable	297,825	0	51,414	349,239
Interfund Payable	0	0	14,618	14,618
Matured Bonds Payable	0	0	469	469
Deferred Revenue	1,293,529	0	1,096,336	2,389,865
<i>Total Liabilities</i>	<u>1,719,885</u>	<u>0</u>	<u>1,279,603</u>	<u>2,999,488</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	10,931	11,000	590,204	612,135
Reserved for Loans Receivable	0	5,555,319	0	5,555,319
Reserved for Unclaimed Monies	4,149	0	0	4,149
Unreserved, Undesignated, Reported in:				
General Fund	3,126,574	0	0	3,126,574
Special Revenue Funds	0	1,505,424	1,710,998	3,216,422
Capital Projects Funds	0	0	657,578	657,578
<i>Total Fund Balances</i>	<u>3,141,654</u>	<u>7,071,743</u>	<u>2,958,780</u>	<u>13,172,177</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,861,539</u>	<u>\$7,071,743</u>	<u>\$4,238,383</u>	<u>\$16,171,665</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, 2009*

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<b>Total Governmental Fund Balances</b>	<b>\$13,172,177</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.	40,966,665
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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	\$104,101
Income Taxes	491,910
Intergovernmental	473,933
Charges for Services	474,950
Special Assessments	249,362

Total	1,794,256
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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	(113,274)
Internal Balances	39,730

Total	(73,544)
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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.

	(34,706)
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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	(847,488)
Special Assessment Bonds	(232,509)
Library Bonds	(4,785,000)
Discount on Library Bonds	44,613
Fire Pension Payable	(96,471)
Capital Leases Payable	(730,716)
Compensated Absences	(938,209)

Total	(7,585,780)
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<i>Net Assets of Governmental Activities</i>	<b>\$48,239,068</b>
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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, 2009*

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$609,352	\$0	\$0	\$609,352
Income Taxes	4,811,567	0	1,929,007	6,740,574
Intergovernmental	957,082	69,966	1,371,511	2,398,559
Interest	26,115	1,386	972	28,473
Fees, Licenses and Permits	555,805	0	0	555,805
Fines and Forfeitures	48,940	0	5,288	54,228
Rentals	5,530	0	22,665	28,195
Charges for Services	876	0	1,107,882	1,108,758
Contributions and Donations	2,500	0	13,137	15,637
Special Assessments	0	0	47,766	47,766
Other	67,647	0	29,095	96,742
<i>Total Revenues</i>	<u>7,085,414</u>	<u>71,352</u>	<u>4,527,323</u>	<u>11,684,089</u>
<b>Expenditures</b>				
Current:				
General Government	1,696,362	0	6,995	1,703,357
Security of Persons and Property:				
Police	3,200,242	0	138,846	3,339,088
Fire	1,301,078	0	827,609	2,128,687
Leisure Time Activities	0	0	824,167	824,167
Public Health and Welfare	313,825	0	0	313,825
Community Environment	248,293	0	420,010	668,303
Transportation	0	0	1,180,873	1,180,873
Basic Utility Services	72,200	0	0	72,200
Economic Development	588	157,762	0	158,350
Capital Outlay	0	0	795,333	795,333
Debt Service:				
Principal Retirement	45,811	0	315,902	361,713
Interest and Fiscal Charges	9,986	0	315,346	325,332
<i>Total Expenditures</i>	<u>6,888,385</u>	<u>157,762</u>	<u>4,825,081</u>	<u>11,871,228</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>197,029</u>	<u>(86,410)</u>	<u>(297,758)</u>	<u>(187,139)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	1,240	0	0	1,240
Transfers In	0	0	258,326	258,326
Transfers Out	(1,007,762)	0	0	(1,007,762)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,006,522)</u>	<u>0</u>	<u>258,326</u>	<u>(748,196)</u>
<i>Net Change in Fund Balances</i>	(809,493)	(86,410)	(39,432)	(935,335)
<i>Fund Balances Beginning of Year</i>	<u>3,951,147</u>	<u>7,158,153</u>	<u>2,998,212</u>	<u>14,107,512</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,141,654</u></u>	<u><u>\$7,071,743</u></u>	<u><u>\$2,958,780</u></u>	<u><u>\$13,172,177</u></u>

See accompanying notes to the basic financial statements - 18 -

**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, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** (\$935,335)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	\$473,454
Depreciation	<u>(1,617,711)</u>

Total (1,144,257)

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. (6,092)

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

Property Taxes	28,788
Income Taxes	(182,068)
Intergovernmental	(850)
Charges for Services	6,287
Special Assessments	<u>1,365</u>

Total (146,478)

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. 361,713

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	3,787
Amortization of Discount	<u>(1,940)</u>

Total 1,847

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. 143,988

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	9,453
Internal Balances	<u>(3,316)</u>

Total 6,137

*Change in Net Assets of Governmental Activities* (\$1,718,477)

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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$623,862	\$620,832	\$609,352	(\$11,480)
Income Taxes	5,067,258	4,810,443	4,803,629	(6,814)
Intergovernmental	966,166	919,490	943,225	23,735
Interest	26,737	26,000	26,115	115
Fees, Licenses and Permits	569,572	546,705	556,325	9,620
Fines and Forfeitures	50,105	59,750	48,940	(10,810)
Rentals	5,662	15,500	5,530	(9,970)
Charges for Services	1,998	2,193	470	(1,723)
Contributions and Donations	2,560	5,146	2,500	(2,646)
Other	21,783	19,345	20,271	926
<i>Total Revenues</i>	7,335,703	7,025,404	7,016,357	(9,047)
<b>Expenditures</b>				
Current:				
General Government	2,009,473	2,046,427	1,702,066	344,361
Security of Persons and Property:				
Police	3,585,233	3,647,076	3,295,713	351,363
Fire	1,489,919	1,515,619	1,368,113	147,506
Public Health and Welfare	356,165	362,308	327,247	35,061
Community Environment	283,495	288,385	260,318	28,067
Basic Utility Services	90,628	91,984	72,200	19,784
Economic Development	640	651	588	63
Capital Outlay	50,000	50,000	50,000	0
Debt Service:				
Principal Retirement	2,256	2,295	2,073	222
Interest and Fiscal Charges	4,534	4,612	4,166	446
<i>Total Expenditures</i>	7,872,343	8,009,357	7,082,484	926,873
<i>Excess of Revenues Under Expenditures</i>	(536,640)	(983,953)	(66,127)	917,826
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	1,240	1,240	1,240	0
Advances In	82,827	101,775	80,901	(20,874)
Advances Out	(42,075)	(42,797)	(38,658)	4,139
Transfers Out	(1,096,850)	(1,115,647)	(1,007,762)	107,885
<i>Total Other Financing Sources (Uses)</i>	(1,054,858)	(1,055,429)	(964,279)	91,150
<i>Net Change in Fund Balance</i>	(1,591,498)	(2,039,382)	(1,030,406)	1,008,976
<i>Fund Balance Beginning of Year</i>	3,576,328	3,576,328	3,576,328	0
Prior Year Encumbrances Appropriated	29,717	29,717	29,717	0
<i>Fund Balance End of Year</i>	\$2,014,547	\$1,566,663	\$2,575,639	\$1,008,976

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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$32,195	\$32,195	\$65,147	\$32,952
Interest	31,000	31,000	1,386	(29,614)
Other	353,805	353,805	353,805	0
<i>Total Revenues</i>	417,000	417,000	420,338	3,338
<b>Expenditures</b>				
Current:				
Economic Development	1,005,500	1,005,500	224,174	781,326
<i>Net Change in Fund Balance</i>	(588,500)	(588,500)	196,164	784,664
<i>Fund Balance Beginning of Year</i>	588,502	588,502	588,502	0
Prior Year Encumbrances Appropriated	103,500	103,500	103,500	0
<i>Fund Balance End of Year</i>	<u>\$103,502</u>	<u>\$103,502</u>	<u>\$888,166</u>	<u>\$784,664</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2009*

	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	\$2,331,539	\$1,262,697	\$3,594,236	\$0
Materials and Supplies Inventory	190,454	11,753	202,207	0
Accounts Receivable	273,415	256,711	530,126	0
Intergovernmental Receivable	422	5,572,250	5,572,672	0
Prepaid Items	21,969	11,103	33,072	0
Income Taxes Receivable	187,737	0	187,737	0
<i>Total Current Assets</i>	<u>3,005,536</u>	<u>7,114,514</u>	<u>10,120,050</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,282,800	282,460	1,565,260	0
Depreciable Capital Assets, Net	17,441,815	14,378,520	31,820,335	0
<i>Total Noncurrent Assets</i>	<u>18,724,615</u>	<u>14,660,980</u>	<u>33,385,595</u>	<u>0</u>
<i>Total Assets</i>	<u>21,730,151</u>	<u>21,775,494</u>	<u>43,505,645</u>	<u>0</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	27,082	20,522	47,604	0
Accrued Wages	17,951	14,493	32,444	0
Intergovernmental Payable	45,527	35,531	81,058	0
Compensated Absences Payable	36,680	31,832	68,512	0
Capital Leases Payable	14,076	14,076	28,152	0
Accrued Interest Payable	632	632	1,264	0
Deferred Revenue	0	5,522,996	5,522,996	0
OPWC Loans Payable	27,824	0	27,824	0
OWDA Loans Payable	20,956	937,672	958,628	0
Claims Payable	0	0	0	113,274
<i>Total Current Liabilities</i>	<u>190,728</u>	<u>6,577,754</u>	<u>6,768,482</u>	<u>113,274</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	143,313	168,133	311,446	0
OPWC Loans Payable	255,114	0	255,114	0
OWDA Loans Payable	1,466,033	10,833,546	12,299,579	0
<i>Total Long-Term Liabilities</i>	<u>1,864,460</u>	<u>11,001,679</u>	<u>12,866,139</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,055,188</u>	<u>17,579,433</u>	<u>19,634,621</u>	<u>113,274</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	16,940,612	2,875,686	19,816,298	0
Unrestricted (Deficit)	2,734,351	1,320,375	4,054,726	(113,274)
<i>Total Net Assets (Deficit)</i>	<u>\$19,674,963</u>	<u>\$4,196,061</u>	<u>23,871,024</u>	<u>(\$113,274)</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>(39,730)</u>	
Net assets of business-type activities			<u>\$23,831,294</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, 2009*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services	\$2,644,807	\$2,933,621	\$5,578,428	\$1,566,766
Tap-In Fees	6,558	1,075	7,633	0
Fees, Licenses and Permits	8,080	0	8,080	0
Special Assessments	704	1,248	1,952	0
Other	50,497	50,434	100,931	0
<i>Total Operating Revenues</i>	<u>2,710,646</u>	<u>2,986,378</u>	<u>5,697,024</u>	<u>1,566,766</u>
<b>Operating Expenses</b>				
Personal Services	1,687,137	1,335,117	3,022,254	0
Materials and Supplies	960,942	226,390	1,187,332	0
Contractual Services	943,971	423,049	1,367,020	447,654
Depreciation	544,354	564,758	1,109,112	0
Claims	0	0	0	1,109,659
<i>Total Operating Expenses</i>	<u>4,136,404</u>	<u>2,549,314</u>	<u>6,685,718</u>	<u>1,557,313</u>
<i>Operating Income (Loss)</i>	<u>(1,425,758)</u>	<u>437,064</u>	<u>(988,694)</u>	<u>9,453</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	474	0	474	0
Capital Grants	284,843	49,254	334,097	0
Municipal Income Taxes	591,173	0	591,173	0
Interest and Fiscal Charges	(85,748)	(485,952)	(571,700)	0
Gain on Sale of Fixed Assets	13,069	0	13,069	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>803,811</u>	<u>(436,698)</u>	<u>367,113</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	(621,947)	366	(621,581)	9,453
Transfers In	348,281	401,155	749,436	0
<i>Change in Net Assets</i>	(273,666)	401,521	127,855	9,453
<i>Net Assets (Deficit) Beginning of Year</i>	<u>19,948,629</u>	<u>3,794,540</u>		<u>(122,727)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$19,674,963</u>	<u>\$4,196,061</u>		<u>(\$113,274)</u>

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

	<u>3,316</u>
Change in net assets of business-type activities	<u>\$131,171</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2009

	Business-Type Activities - Enterprise			Governmental
	Water	Sewer	Total	Activities - Internal Service
<b>Increase in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,642,356	\$2,972,283	\$5,614,639	\$0
Cash Received from Interfund Services Provided	0	0	0	1,566,766
Tap In Fees	6,558	1,075	7,633	0
Special Assessments	704	1,248	1,952	0
Other Operating Revenues	49,052	50,373	99,425	0
Cash Payments to Suppliers for Materials and Supplies	(968,761)	(231,200)	(1,199,961)	0
Cash Payments for Employee Services and Benefits	(1,777,624)	(1,409,632)	(3,187,256)	0
Cash Payments for Contractual Services	(930,709)	(406,420)	(1,337,129)	0
Cash Payments for Goods and Services	0	0	0	(447,654)
Cash Payments for Claims	0	0	0	(1,119,112)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(978,424)</u>	<u>977,727</u>	<u>(697)</u>	<u>0</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Municipal Income Taxes	516,113	0	516,113	0
Transfers In	348,281	401,155	749,436	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>864,394</u>	<u>401,155</u>	<u>1,265,549</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(125,359)	0	(125,359)	0
Proceeds from Sale of Capital Assets	17,000	0	17,000	0
Capital Grants	284,667	0	284,667	0
Proceeds from OPWC Loans	40,398	0	40,398	0
Proceeds from OWDA Loans	280,745	0	280,745	0
Principal Paid on Revenue Bonds	(360,000)	0	(360,000)	0
Principal Paid on OWDA Loans	(83,724)	(898,794)	(982,518)	0
Principal Paid on OPWC Loans	(26,248)	0	(26,248)	0
Principal Paid on Capital Leases	(13,446)	(13,446)	(26,892)	0
Interest Paid on Revenue Bonds	(15,660)	0	(15,660)	0
Interest Paid on OWDA Loans	(11,426)	(485,266)	(496,692)	0
Interest Paid on Capital Leases	(1,290)	(1,290)	(2,580)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(14,343)</u>	<u>(1,398,796)</u>	<u>(1,413,139)</u>	<u>0</u>
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	376,309	0	376,309	0
<i>Net Increase (Decrease) in Cash and Cash Equivalent</i>	247,936	(19,914)	228,022	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,083,603</u>	<u>1,282,611</u>	<u>3,366,214</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,331,539</u>	<u>\$1,262,697</u>	<u>\$3,594,236</u>	<u>\$0</u>

(continued)

**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Year Ended December 31, 2009*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	(\$1,425,758)	\$437,064	(\$988,694)	\$9,453
Adjustments:				
Depreciation	544,354	564,758	1,109,112	0
(Increase) Decrease in Assets:				
Accounts Receivable	(11,984)	38,601	26,617	0
Intergovernmental Receivable	8	0	8	0
Materials and Supplies Inventory	31,515	(3,031)	28,484	0
Prepaid Items	767	3,277	4,044	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(26,839)	11,573	(15,266)	0
Accrued Wages	(40,556)	(33,086)	(73,642)	0
Compensated Absences Payable	(40,024)	(35,235)	(75,259)	0
Intergovernmental Payable	(9,907)	(6,194)	(16,101)	0
Claims Payable	0	0	0	(9,453)
<i>Total Adjustments</i>	<u>447,334</u>	<u>540,663</u>	<u>987,997</u>	<u>(9,453)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$978,424)</u></u>	<u><u>\$977,727</u></u>	<u><u>(\$697)</u></u>	<u><u>\$0</u></u>

**Noncash Capital Financing Activities**

Amortization of the discount on refunding bonds in the amount of \$2,101.

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2009*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$54,987</u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u>\$54,987</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

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

***Reporting Entity***

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

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

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

The City participates in the Maple Grove Union Cemetery which is defined as a joint venture. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. This organization is discussed in Note 18 to the basic financial statements.

The City is associated with the Reed Memorial Library which is defined as a related organization. This organization is discussed in Note 19 to the basic financial statements.

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

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

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

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

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

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

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

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

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

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

**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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance 2010 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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

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

***Cash and Cash Equivalents***

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

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

During the year, the City's investments were limited to Federal Home Loan Bank Notes, Federal Farm Credit Bank Notes, certificates of deposits and STAR Ohio.

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, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amounted to \$26,115 which includes \$11,632 assigned from other City funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Inventory***

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Bond Discount***

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

***Interfund Balances***

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

***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.

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	50 - 100 years	50 - 100 years
Improvements other than Buildings	20 years	20 years
Furniture, Fixtures and Equipment	5 - 30 years	5 - 20 years
Vehicles	5 - 25 years	5 - 10 years
Infrastructure:		
Streets	50 - 75 years	n/a
Storm Drains	40 - 150 years	n/a
Sidewalks	40 years	n/a
Fire Hydrants	75 years	n/a
Traffic Lights	30 - 40 years	n/a
Water and Sewer Lines	n/a	60- 150 years

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

***Compensated Absences***

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

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

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

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

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

***Fund Balance 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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Net Assets***

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

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

***Operating Revenues and Expenses***

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

***Internal Activity***

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

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

***Extraordinary and Special Items***

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

***Estimates***

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Budgetary Process***

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

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

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

**Note 3 – Change in Accounting Principle**

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

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GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

#### **Note 4 – Accountability**

The deficit in the SAFE grants special revenue fund of \$6,033 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 \$113,274 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 the major special revenue fund. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions.

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

Net Change in Fund Balances

	General	Revolving Loan
GAAP Basis	(\$809,493)	(\$86,410)
Net Adjustment for Revenue Accruals	(74,287)	(4,819)
Ending Fair Value Adjustment for Investments	5,230	0
Advances In	80,901	0
Loan Payments Received	0	353,805
Net Adjustment for Expenditures Accruals	(183,168)	0
Advances Out	(38,658)	0
Loans Issued	0	(55,412)
Encumbrances	(10,931)	(11,000)
Budget Basis	(\$1,030,406)	\$196,164

**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*  
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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.

### **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, \$661,447 of the City's bank balance of \$2,400,475 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.

**City of Ravenna, Ohio**  
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For the Year Ended December 31, 2009

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, 2009, the City had the following investments:

Investment Type	Fair Value	Maturities (in Years)	
		Less than 1	1-3
Federal Home Loan Bank Notes	\$847,656	\$0	\$847,656
Federal Farm Credit Bank Notes	697,190	0	697,190
STAROhio	6,033,917	6,033,917	0
Total Investments	<u>\$7,578,763</u>	<u>\$6,033,917</u>	<u>\$1,544,846</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 Federal Home Loan Bank Notes and Federal Farm Credit Bank Notes 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 federal home loan bank notes and federal farm credit bureau bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

**Concentration of Credit Risk** The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2009:

Investment	Percentage of Investments
Federal Home Loan Bank Notes	11.18 %
Federal Farm Credit Bank Notes	9.20

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 7 - Receivables**

Receivables at December 31, 2009 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 \$5,555,319.

Special assessments expected to be collected in more than one year amount to \$227,972 in the special assessment bond retirement fund. At December 31, 2009 the amount of delinquent special assessments was \$20,625.

***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 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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. 2009 public utility property taxes become a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The full tax rate for all City operations for the year ended December 31, 2009, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

**City of Ravenna, Ohio**  
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Category	Assessed Value
Real Estate	
Residential/Agricultural	\$137,419,140
Other Real Estate	64,076,630
Tangible Personal Property	
Public Utility	3,280,730
General	468,270
Total Assessed Values	\$205,244,770

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, 2009 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 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

***Intergovernmental***

A summary of governmental activities intergovernmental receivables as of December 31, 2009, follows:

<b>Governmental Activities</b>	Amounts
Local Government	\$276,551
Gasoline and Excise Tax	132,758
Estate Tax	64,821
Cents per Gallon Tax	63,417
Permissive Tax	53,715
Motor Vehicle License Tax	40,529
Homestead and Rollback	38,427
SAFE Grants	34,052
Emergency Medical Services Grant	14,851
Other	5,775
Recreation Grant	2,117
Ravenna City School District	2,152
Total	\$729,165

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

<b>Business-type Activities</b>	Amounts
Portage County	\$5,552,565
Windmill Enterprises	19,685
City of Kent	238
US Army Corps of Engineers	184
Total	\$5,572,672

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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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, 2009 is \$217,258. 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, 2009 is \$5,286,053. 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, 2009 is \$19,685. This amount has been recorded on the City's books as an asset in "intergovernmental receivable" and "deferred revenue." The asset is recorded in the sewer enterprise fund.

***Income Taxes***

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 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.

**Note 8 – Interfund Transactions**

***Interfund Balances***

Interfund balances at December 31, 2009, consist of an interfund receivable in the general fund for \$14,618 and interfund payables of \$6,033 in the SAFE grant special revenue fund and \$8,585 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 2009. 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 2009. These advances were made to cover qualifying expenditures in the fund which will be reimbursed in the following year.

**City of Ravenna, Ohio**  
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***Interfund Transfers***

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfers To	Transfers From General
<i>Major Funds:</i>	
Water	\$348,281
Sewer	401,155
Nonmajor Governmental Funds	258,326
Total	\$1,007,762

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 2009, the City contracted with two companies for various types of insurance as follows:

Company	Type of Coverage	Coverage
U.S. Speciality Insurance Company	Umbrella Liability	\$5,000,000
	General Liability	3,000,000
	Stop Gap Liability	1,000,000
	Law Enforcement Liability - each person, each wrongful act	1,000,000
	Public Officials Liability	1,000,000
	Auto Liability	1,000,000
	Commercial Property	37,766,863
Zurich North American Surety	Bonds - Employees and Officials	100,000

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

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

The City manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$60,000 per employee per year.

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The claims liability of \$113,274 reported in the internal service fund at December 31, 2009, 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 2008 and 2009 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2008	\$39,610	\$1,249,071	\$1,165,954	\$122,727
2009	122,727	1,109,659	1,119,112	113,274

**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 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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The City's contribution rate for 2009 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 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 Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$388,909, \$334,926, and \$382,225 respectively; 90.68 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the Member-Directed plan for 2009 were \$7,357 made by the City and \$5,255 made by the plan members.

***Ohio Police and Fire Pension Fund***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$196,873 and \$209,661 for the year ended December 31, 2009, \$192,899 and \$205,401 for the year ended December 31, 2008, and \$182,907 and \$193,543 for the year ended December 31, 2007. 71.53 percent has been contributed for police and 72.22 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 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, 2009, the unfunded liability of the City was \$96,471 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**Note 12 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio

**City of Ravenna, Ohio**  
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Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, state and local employers contributed 14.0 percent of covered payroll and public safety and law enforcement employers contributed 17.63. 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 employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$281,211, \$334,926, and \$251,765 respectively; 90.68 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

**City of Ravenna, Ohio**  
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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 the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$104,227 and \$82,041 for the year ended December 31, 2009, \$102,123 and \$80,374 for the year ended December 31, 2008, and \$96,833 and \$75,734 for the year ended December 31, 2007. 71.53 percent has been contributed for police and 72.22 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

**City of Ravenna, Ohio**  
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For the Year Ended December 31, 2009

**Note 13 - Capital Assets**

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/08	Additions	Reductions	Balance 12/31/09
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$1,297,800	\$0	\$0	\$1,297,800
Capital assets being depreciated				
Buildings	4,878,744	11,479	0	4,890,223
Improvements other than Buildings	523,382	0	0	523,382
Furniture, Fixtures and Equipment	2,346,991	289,691	(109,289)	2,527,393
Vehicles	3,198,400	172,284	(25,919)	3,344,765
Infrastructure:				
Streets	43,223,959	0	0	43,223,959
Storm Drains	4,695,087	0	0	4,695,087
Sidewalks	8,683,603	0	0	8,683,603
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	610,800	0	0	610,800
Total capital assets being depreciated	69,696,566	473,454	(135,208)	70,034,812
Accumulated depreciation				
Buildings	(2,582,982)	(83,495)	0	(2,666,477)
Improvements other than Buildings	(312,621)	(23,770)	0	(336,391)
Furniture, Fixtures and Equipment	(1,209,869)	(213,967)	105,633	(1,318,203)
Vehicles	(1,810,496)	(294,277)	23,483	(2,081,290)
Infrastructure:				
Streets	(16,845,308)	(711,360)	0	(17,556,668)
Storm Drains	(2,373,839)	(35,995)	0	(2,409,834)
Sidewalks	(2,824,550)	(217,090)	0	(3,041,640)
Fire Hydrants	(594,214)	(20,475)	0	(614,689)
Traffic Lights	(323,473)	(17,282)	0	(340,755)
Total accumulated depreciation	(28,877,352)	(1,617,711) *	129,116	(30,365,947)
Capital assets being depreciated, net	40,819,214	(1,144,257)	(6,092)	39,668,865
Governmental activities capital assets, net	\$42,117,014	(\$1,144,257)	(\$6,092)	\$40,966,665

**City of Ravenna, Ohio**  
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	Balance 12/31/08	Additions	Reductions	Balance 12/31/09
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$1,537,860	\$27,400	\$0	\$1,565,260
Capital assets being depreciated				
Buildings	7,750,724	0	0	7,750,724
Improvements other than Buildings	14,533,215	0	0	14,533,215
Furniture, Fixtures and Equipment	8,139,298	70,000	(29,890)	8,179,408
Vehicles	92,050	27,959	0	120,009
Infrastructure:				
Water Lines	15,851,674	0	0	15,851,674
Sewer Lines	6,532,228	0	0	6,532,228
Total capital assets being depreciated	52,899,189	97,959	(29,890)	52,967,258
Accumulated depreciation				
Buildings	(3,107,784)	(140,658)	0	(3,248,442)
Improvements other than Buildings	(6,663,529)	(362,329)	0	(7,025,858)
Furniture, Fixtures and Equipment	(1,437,998)	(370,841)	25,959	(1,782,880)
Vehicles	(83,296)	(5,767)	0	(89,063)
Infrastructure:				
Water Lines	(5,951,241)	(167,108)	0	(6,118,349)
Sewer Lines	(2,819,922)	(62,409)	0	(2,882,331)
Total accumulated depreciation	(20,063,770)	(1,109,112)	25,959	(21,146,923)
Capital assets being depreciated, net	32,835,419	(1,011,153)	(3,931)	31,820,335
Business-type activities capital assets, net	\$34,373,279	(\$983,753)	(\$3,931)	\$33,385,595

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

General Government	\$30,570
Security of Persons and Property:	
Police	126,091
Fire	170,294
Leisure Time Activities	20,475
Public Health and Welfare	35,995
Community Environment	871,861
Transportation	287,943
Basic Utility Services	74,482
Total	<u>\$1,617,711</u>

**City of Ravenna, Ohio**  
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For the Year Ended December 31, 2009

**Note 14 - 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
West Main Street Waterline Replacement - 2008	0.00%	50,000	2028
Ravenna Area Water Improvements - 2009	0.00%	17,801	2029
New Milford Road Waterline - 2009	0.00%	22,597	2029
<i>OWDA Loans:</i>			
Sewer - 1993	5.00%	5,476,391	2012
Lovers Lane Windmill Sewer - 2003	3.95%	292,433	2022
Kent/Ravenna Emergency Waterline - 2003	3.65%	486,102	2023
WWTP Expansion - 2003	3.77%	12,934,646	2024
Water Meters (not finalized)	3.40%	1,111,883	N/A
<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>			
Fire Pension	4.25%	136,183	2035

**City of Ravenna, Ohio**  
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	Outstanding 12/31/08	Additions	(Reductions)	Outstanding 12/31/09	Amounts Due in One Year
<b>Business Type Activities</b>					
<b>Mortgage Revenue Bonds</b>					
Waterworks System Revenue Refunding Bonds	\$360,000	\$0	(\$360,000)	\$0	\$0
Discount on Refunding Bonds	(2,101)	0	2,101	0	0
<i>Total Mortgage Revenue Bonds</i>	<u>357,899</u>	<u>0</u>	<u>(357,899)</u>	<u>0</u>	<u>0</u>
<b>OPWC Loans</b>					
Cotton Corners Waterline	33,651	0	(5,609)	28,042	5,609
Lakewood Road Waterline	58,915	0	(8,416)	50,499	8,416
Hayes Road Waterline	36,325	0	(3,459)	32,866	3,460
Highland Avenue Reconstruction	21,494	0	(1,791)	19,703	1,791
Lake Avenue Water and Storm Loan	22,153	0	(1,528)	20,625	1,528
Chestnut and Washington					
Water and Storm Sewers	47,500	0	(2,500)	45,000	2,500
West Main Street Waterline Replacement	48,750	0	(2,500)	46,250	2,500
Ravenna Area Water Improvements	0	17,801	(445)	17,356	890
New Milford Road Waterline	0	22,597	0	22,597	1,130
<i>Total OPWC Loans</i>	<u>268,788</u>	<u>40,398</u>	<u>(26,248)</u>	<u>282,938</u>	<u>27,824</u>
<b>OWDA Loans</b>					
Sewer	1,385,240	0	(371,641)	1,013,599	390,451
Lovers Lane Windmill Sewer	227,239	0	(12,432)	214,807	12,928
Kent/Ravenna Emergency Waterline	395,318	0	(20,212)	375,106	20,956
WWTP Expansion	11,057,533	0	(514,721)	10,542,812	534,293
Water Meters	894,650	280,745	(63,512)	1,111,883	0
<i>Total OWDA Loans</i>	<u>13,959,980</u>	<u>280,745</u>	<u>(982,518)</u>	<u>13,258,207</u>	<u>958,628</u>
Capital Leases	55,044	0	(26,892)	28,152	28,152
Compensated Absences	455,217	227,609	(302,868)	379,958	68,512
<i>Total Business Type Activities</i>	<u>\$15,096,928</u>	<u>\$548,752</u>	<u>(\$1,696,425)</u>	<u>\$13,949,255</u>	<u>\$1,083,116</u>
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Streetscape Bonds - 1993	\$360,000	\$0	(\$65,000)	\$295,000	\$70,000
Streetscape Bonds - 1994	73,073	0	(10,585)	62,488	10,585
Municipal Building Improvement	515,000	0	(25,000)	490,000	25,000
<i>Total General Obligation Bonds</i>	<u>948,073</u>	<u>0</u>	<u>(100,585)</u>	<u>847,488</u>	<u>105,585</u>
<b>Special Assessment Bonds with Governmental Commitments</b>					
Streetscape Bonds - 1994	271,924	0	(39,415)	232,509	39,415
<b>Library Bonds</b>					
Reed Memorial Library Bonds	4,890,000	0	(105,000)	4,785,000	105,000
Discount on Reed Memorial Library Bonds	(46,553)	0	1,940	(44,613)	0
<i>Total Library Bonds</i>	<u>4,843,447</u>	<u>0</u>	<u>(103,060)</u>	<u>4,740,387</u>	<u>105,000</u>
Fire Pension	98,544	0	(2,073)	96,471	2,162
Capital Leases	845,356	0	(114,640)	730,716	122,377
Compensated Absences	1,082,197	541,099	(685,087)	938,209	193,707
<i>Total Governmental Activities</i>	<u>\$8,089,541</u>	<u>\$541,099</u>	<u>(\$1,044,860)</u>	<u>\$7,585,780</u>	<u>\$568,246</u>

**City of Ravenna, Ohio**  
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The waterworks mortgage revenue bond was paid from user service charges in the water enterprise fund. Municipal income tax revenues collected and receipted in the water enterprise fund are available as a secondary source. OPWC loans are pledged for payment from municipal income tax and water enterprise fund user service charges. OWDA loans are pledged for payment from the water and sewer enterprise fund user service charges.

On June 1, 1999, the City issued \$3,315,000 in Revenue Bonds with a discount of \$22,032 and interest rates varying from 3.50 percent to 4.35 percent. In 1999, the City defeased a 1987 Series revenue bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. The 1999 revenue bonds include a discount. This year the additions include \$2,101, 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.

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

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

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

The fire pension liability will be paid from the general fund.

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

The City has entered into a contractual agreement for a water loan from OWDA in the amount of \$1,111,883 for the Water Meter Replacement project. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loans. Since the loan has not been finalized, a repayment schedule is not included in the schedule of debt service requirements.

The City's overall legal debt margin was \$15,821,742 at December 31, 2009. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

**City of Ravenna, Ohio**  
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Business-Type Activities

	OPWC		
	Loans	OWDA Loans	
	Principal	Principal	Interest
2010	\$27,824	\$958,628	\$459,884
2011	27,824	1,000,004	418,515
2012	27,823	825,128	375,233
2013	27,825	635,486	346,718
2014	27,820	659,650	322,553
2015 - 2019	75,682	3,694,114	1,216,904
2020 - 2024	42,237	4,373,314	451,806
2025 - 2029	25,903	0	0
<b>Total</b>	<b><u>\$282,938</u></b>	<b><u>\$12,146,324</u></b>	<b><u>\$3,591,613</u></b>

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		Library Bonds		Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$105,585	\$44,846	\$39,415	\$14,767	\$105,000	\$226,017	\$2,162	\$4,077
2011	111,643	38,514	43,356	12,264	110,000	222,763	2,255	3,984
2012	117,738	31,707	47,262	9,511	115,000	218,747	2,351	3,888
2013	123,761	24,518	51,239	6,507	120,000	214,550	2,452	3,757
2014	43,761	19,624	51,237	3,254	125,000	209,750	2,558	3,681
2015 - 2019	175,000	69,750	0	0	700,000	966,200	14,534	16,661
2020 - 2024	170,000	21,750	0	0	870,000	791,900	17,936	13,260
2025 - 2029	0	0	0	0	1,105,000	555,000	22,132	9,062
2030 - 2034	0	0	0	0	1,535,000	227,750	27,312	3,883
2035	0	0	0	0	0	0	2,779	59
<b>Total</b>	<b><u>\$847,488</u></b>	<b><u>\$250,709</u></b>	<b><u>\$232,509</u></b>	<b><u>\$46,303</u></b>	<b><u>\$4,785,000</u></b>	<b><u>\$3,632,677</u></b>	<b><u>\$96,471</u></b>	<b><u>\$62,312</u></b>

**Note 15 – Note Payable**

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

	Balance	Additions	Reductions	Balance
	12/31/08			12/31/09
3.80% Capital Improvements Fund	<u>\$68,500</u>	<u>\$0</u>	<u>\$68,500</u>	<u>\$0</u>

On November 10, 2008, the City issued \$68,500 of bond anticipation notes for the purpose of cemetery improvements. The notes were backed by the full faith and credit of the City and matured November 10, 2009. The note liability was paid in full during fiscal year 2009.

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*For the Year Ended December 31, 2009*

**Note 16 - Capital Leases**

During 2009, the City had lease agreements for an ambulance for the fire department, three copy machines, a mailing system, a sewer cleaner, a garage for the street department and a fire engine. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The governmental and business-type machinery and equipment and vehicles have been capitalized in the amount of \$1,188,427 and \$133,715, respectively, the present value of the minimum lease payments at the inception of the lease.

The assets acquired through capital leases are as follows:

<i>Asset:</i>	Governmental Activities	Business-type Activities
Machinery and Equipment	\$118,944	\$133,715
Buildings	600,000	0
Vehicles	469,483	0
Historical Cost	1,188,427	133,715
Less: Accumulated Depreciation	(369,647)	(53,486)
Total Book Value as of December 31, 2009	<u>\$818,780</u>	<u>\$80,229</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
2010	\$129,071	\$29,472
2011	123,412	0
2012	120,092	0
2013	48,000	0
2014	87,000	0
2015 - 2017	246,000	0
Total Minimum Lease Payments	753,575	29,472
Less: Amount Representing Interest	(22,859)	(1,320)
Present Value of Minimum Lease	<u>\$730,716</u>	<u>\$28,152</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, 2009*

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**Note 17 - Jointly Governed Organization**

***Metro Critical Response and Rescue Team (CRRT)*** The Metro Critical Response and Rescue Team is a multi-jurisdictional tactical unit consisting of member agencies within Summit County as well as selected out of county agencies. The CRRT is a team of specially trained police officers from participating political subdivisions which will respond to any incident where special weapons and tactics are needed within the member jurisdictions. Each agency has a departmental representative that collectively constitutes the “Board of Directors”. Each representative from each department is allotted one vote in the decision making process of CRRT matters. The CRRT Board of Directors is directed by an Executive Board consisting of a President, Vice-President and Secretary as elected annually from the members of the Board of Directors. The Board of Directors controls the budget and all financial concerns. In 2009, the City contributed \$4,030, which represents 5 percent of the total contribution.

**Note 18 - Joint Venture**

***Maple Grove Union Cemetery*** - The City participates in the Maple Grove Union Cemetery which is a statutorily created union cemetery, formed under chapter 759.27 of the Ohio Revised Code. The Cemetery’s functions include the funding and operation of the cemetery which is located in both the City of Ravenna and the Township of Ravenna. It is governed by a three member board comprised of one member of the Township, one member of the City and one member voted on by the Board. The Board of Trustees approves its own budget, appoints personnel and oversees accounting and finance related activities. Each participant’s control is limited to its membership representation. The continued existence of the Cemetery is dependent upon the City’s continued participation, however, the City does not have an equity interest in the Cemetery. The Cemetery is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the City. The parties share in the costs of the operation of the cemetery based upon the prorated property valuations of each entity. The City’s percentage for 2009 was 59.0 percent. During 2009, \$169,236 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 19 – Related Organization**

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 20 - Contingencies**

***Grants***

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2009.

***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.

**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, 2009 which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 22, 2010, wherein we noted the City implemented *GASB Statement No. 52, 53, 55, 56, 57, and 58*. 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.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 2009-1. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Honorable Mayor and  
Members of the City Council  
Ravenna, Ohio

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of the City in a separate letter dated June 22, 2010.

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

This report is intended solely for the information and use of the management, City Council, others within the City and the Auditor of the State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 22, 2010

# City of Ravenna

## Schedule of Findings

**December 31, 2009**

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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
Was there any material weaknesses reported at the financial statement level (GAGAS)?	No
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

#### 2009-1 – Significant Deficiency

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. Adjusted accounts payable to actual at 12/31/09.

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, 2009**

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<b>Finding No.</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Explanation</b>
2008-1	<p>Significant Deficiency/Material Weakness</p> <p>The following audit adjustments were made to the financial statements: Restatement of Net Assets at December 31, 2007 for prior year understatement of business-type capital assets.</p> <p>Adjusted accounts payable to actual.</p> <p>Adjusted intergovernmental payable to actual.</p>	No	The City had a significant deficiency relating to an adjustment to accounts payable again in the year 2009.

# 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, 2009

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
2009-1	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  
JULY 29, 2010