



Dave Yost • Auditor of State

**CITY OF RAVENNA
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Revolving Loan Fund

Management was not able to provide proper supporting documentation for new loans issued and outstanding loans for the Loans Receivable reported in the City's financial statements. Accounting principles generally accepted in the United States of America require balances be properly supported.

In addition, management has not adopted a methodology for reviewing the collectability of loans receivable in the Revolving Loan Fund and Governmental Activities and, accordingly, has not included an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require including an adequate allowance for uncollectible receivables, which would decrease the assets, fund balances, and net position, and change the revenues in the Revolving Loan Fund and in governmental activities. The amount by which this departure would affect the assets, fund balances, net position, and revenues of the Revolving Loan Fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion on Revolving Loan Fund paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Revolving Loan Fund of City of Ravenna, Portage County, Ohio (the City), as of and for the year ended December 31, 2013, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business type activities, the General Fund, Street Construction Maintenance and Repair Fund, EMS Fund, Honeywell Project Fund, Water Fund, Sewer Fund, and the aggregate remaining fund information of the City of Ravenna, Portage County, Ohio (the City), as of and for the year ended as of December 31, 2013, and the respective changes in financial position and, where applicable its cash flows, thereof and the respective budgetary comparisons for the General, Revolving Loan, Street Construction Maintenance and Repair, and EMS special revenue funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiring to management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries and to the basic financial statements, and for consistency with other knowledge we obtained during our audit of the basic financial statements.

We do not opine or provide any assurance on the required supplementary information.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The aforementioned schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2015 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 2, 2015

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City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The management 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, 2013. 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

- As in 2012, the City's primary focus was on addressing the operating deficit status of the general fund. With the exception of 2012, expenditures have outpaced revenues by an average of \$403,067 per year over the past 5 years. Through a series of operational and policy changes over this time period, the City was able to chip away at projected operating losses; however the deficits incurred continued to impact the cash balance in the fund. And while the fund balance was adequate to support short-term losses, the final 2013 numbers illustrate that the general fund cash balance has now become precariously depleted. As detailed in the narrative section of this report, the revenue side of the equation has been the driver of these operating losses.
- The positive for 2013 was the rebound of income tax receipts, as the year finished with net revenue of \$7,433,661, a number that was last seen in 2009. The slow climb back was the product of local business and industry expansions and start-ups over the past several years.

Using this Annual Financial Report

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

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

The City of Ravenna as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Ravenna's finances, in a manner similar to private sector businesses. The *statement of net position* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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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 position* presents information on all of the City of Ravenna's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Ravenna is improving or deteriorating.

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

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

Reporting the City's Most Significant Funds

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

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

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

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

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

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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Proprietary Funds The City of Ravenna's enterprise funds consist of water and sewer. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self-insurance program of health related employee benefits. Because this predominately benefits governmental rather than business functions, it has been included within governmental activities in the government-wide financial statements.

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

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

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

The City as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2013 compared to 2012.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$15,787,251	\$18,012,924	\$12,202,122	\$12,464,621	\$27,989,373	\$30,477,545
Capital Assets, Net	40,867,645	40,863,229	31,110,645	31,063,334	71,978,290	71,926,563
Total Assets	56,654,896	58,876,153	43,312,767	43,527,955	99,967,663	102,404,108
Deferred Outflow of Resources	138,185	0	0	0	138,185	0
Liabilities						
Current Liabilities	425,316	738,896	160,451	204,248	585,767	943,144
Long-Term Liabilities						
Due Within One Year	919,707	810,623	1,181,602	1,217,726	2,101,309	2,028,349
Due in More Than One Year	9,157,665	9,936,130	12,461,370	13,356,096	21,619,035	23,292,226
Total Liabilities	10,502,688	11,485,649	13,803,423	14,778,070	24,306,111	26,263,719
Deferred Inflow of Resources	531,523	519,222	0	0	531,523	519,222
Net Position						
Net Investment in Capital Assets	35,796,676	35,434,561	17,665,526	15,399,354	53,462,202	50,833,915
Restricted for:						
Capital Projects	32,220	1,290,935	0	0	32,220	1,290,935
Debt Service	0	11,789	0	0	0	11,789
Revolving Loans	7,459,291	7,358,605	0	0	7,459,291	7,358,605
Street Construction,						
Maintenance and Repair	1,409,723	1,334,039	0	0	1,409,723	1,334,039
State Highway	71,111	51,270	0	0	71,111	51,270
Other Purposes	266,439	382,007	0	0	266,439	382,007
Unrestricted	723,410	1,008,076	11,843,818	13,350,531	12,567,228	14,358,607
Total Net Position	\$45,758,870	\$46,871,282	\$29,509,344	\$28,749,885	\$75,268,214	\$75,621,167

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By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the governmental activities net position of the City has decreased. This is primarily due to a decrease in assets as debt proceeds were spent on capital projects. Capital assets increased as the City-wide energy conservation projects are completed. Liabilities decreased due to the annual payments on existing debt. Management continues to diligently plan expenses, maintaining excellent levels of service within the constraints of the budget.

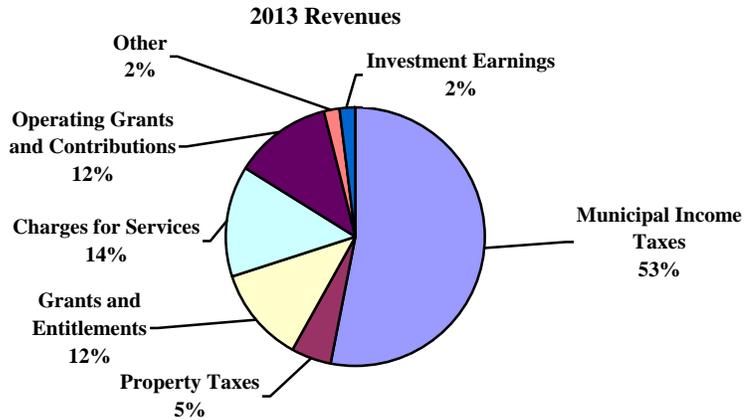
In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2013 and 2012.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services and Assesments	\$1,723,694	\$1,702,931	\$5,566,721	\$5,425,946	\$7,290,415	\$7,128,877
Operating Grants and Contributions	1,502,666	1,548,118	0	0	1,502,666	1,548,118
Capital Grants and Contributions	36,629	131,743	277,430	465,497	314,059	597,240
Total Program Revenues	<u>3,262,989</u>	<u>3,382,792</u>	<u>5,844,151</u>	<u>5,891,443</u>	<u>9,107,140</u>	<u>9,274,235</u>
General Revenues						
Property Taxes	542,759	500,914	0	0	542,759	500,914
Income Taxes	6,452,921	6,368,430	1,170,135	1,202,308	7,623,056	7,570,738
Grants and Entitlements	1,453,502	1,012,983	0	0	1,453,502	1,012,983
Unrestricted Contributions	2,455	0	0	0	2,455	0
Investment Earnings	192,666	176,546	0	0	192,666	176,546
Other	171,074	121,982	94,759	133,073	265,833	255,055
Total General Revenues	<u>8,815,377</u>	<u>8,180,855</u>	<u>1,264,894</u>	<u>1,335,381</u>	<u>10,080,271</u>	<u>9,516,236</u>
Total Revenues	<u>12,078,366</u>	<u>11,563,647</u>	<u>7,109,045</u>	<u>7,226,824</u>	<u>19,187,411</u>	<u>18,790,471</u>
Program Expenses						
General Government	(1,664,314)	(1,562,302)	0	0	(1,664,314)	(1,562,302)
Security of Persons and Property:						
Police	(3,261,048)	(3,183,105)	0	0	(3,261,048)	(3,183,105)
Fire	(2,052,563)	(2,122,241)	0	0	(2,052,563)	(2,122,241)
Leisure Time Activities	(748,611)	(855,954)	0	0	(748,611)	(855,954)
Public Health and Welfare	(233,728)	(248,651)	0	0	(233,728)	(248,651)
Community Environment	(1,255,153)	(1,091,754)	0	0	(1,255,153)	(1,091,754)
Transportation	(3,327,971)	(2,332,569)	0	0	(3,327,971)	(2,332,569)
Basic Utility Services	(35,994)	(35,994)	0	0	(35,994)	(35,994)
Economic Development	(80,113)	0	0	0	(80,113)	0
Interest and Fiscal Charges	(531,283)	(383,556)	0	0	(531,283)	(383,556)
Water	0	0	(3,691,459)	(3,928,186)	(3,691,459)	(3,928,186)
Sewer	0	0	(2,658,127)	(2,694,674)	(2,658,127)	(2,694,674)
Total Program Expenses	<u>(13,190,778)</u>	<u>(11,816,126)</u>	<u>(6,349,586)</u>	<u>(6,622,860)</u>	<u>(19,540,364)</u>	<u>(18,438,986)</u>
Change in Net Position	(1,112,412)	(252,479)	759,459	603,964	(352,953)	351,485
Net Position Beginning of Year	<u>46,871,282</u>	<u>47,123,761</u>	<u>28,749,885</u>	<u>28,145,921</u>	<u>75,621,167</u>	<u>75,269,682</u>
Net Position End of Year	<u>\$45,758,870</u>	<u>\$46,871,282</u>	<u>\$29,509,344</u>	<u>\$28,749,885</u>	<u>\$75,268,214</u>	<u>\$75,621,167</u>

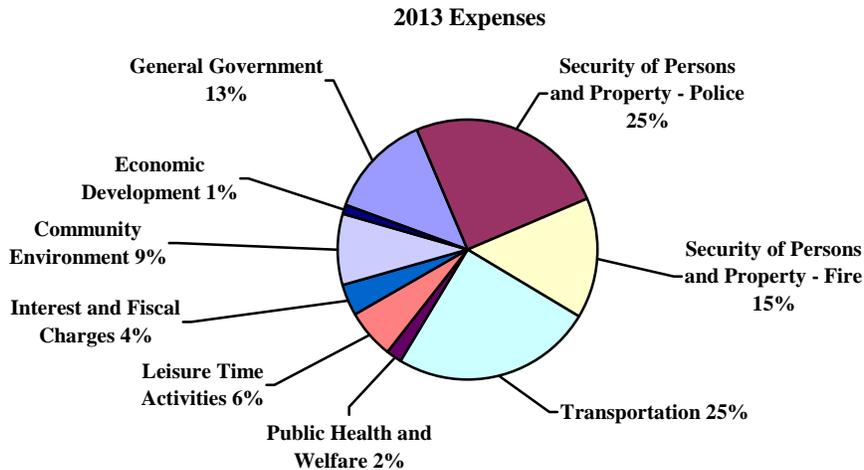
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Management's Discussion and Analysis
For the Year Ended December 31, 2013
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Governmental Activities



Several sources fund our governmental activities with the City income tax being the largest component. An income tax of 2 percent is levied on all income earned within the City. For 2013, annual tax receipts remain more than half of all general fund revenues at 53 percent.

Program revenues, including charges for services and assessments, operating grants and contributions, and capital grants and contributions make up the second largest revenue source within the City. Charges for services increased slightly in 2013, primarily due to an increase in general department fees and memberships. The City continues to maintain its stance of actively pursuing all forms of grants available. Investment income saw a significant increase in 2013 as investments with longer maturities and higher yields now comprise a greater percentage of the City's total portfolio.



Major expense activities continue to be:

Security of persons and property (Police and Fire) is the City's largest cost center, accounting for 40 percent of all governmental activity expenses. The second largest cost component, transportation, finished at 25 percent of total governmental expenses. For 2013, the Street Department maintained operating costs at a level that enabled the fund to turn an annual surplus.

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

At the end of 2013, the City of Ravenna reported combined governmental fund balances of \$12,943,857. Of this amount, \$1,242,617 constitutes unassigned balances, which is available for any purpose. The majority of the remaining fund balance is further constrained by internal or external constraints and is restricted, committed, or assigned for a specific purpose. A small portion of the fund balance is considered nonspendable.

The City's major governmental funds are the general fund, revolving loan, street construction, maintenance and repair and EMS special revenue funds and honeywell project capital projects fund. Expenditures exceed revenues for the year in the general fund due to decreases in intergovernmental receivables as well as increases in accrued wages and intergovernmental payables. Within the general fund, safety forces accounts for the largest component of expenditures at nearly 70 percent. The revolving loan special revenue fund balance increased over the prior year due to a decrease in loans receivable over the prior year. Compared to 2012, the City received less grant money to provide new loans for economic development which resulted in loan payments received exceeding new loan distributions. The street construction, maintenance and repair special revenue fund had an increase in fund balance as revenues exceeded street expenditures during the year. The EMS special revenue fund had an increase in fund balance due to an increase in charges for services revenue in 2013. The honeywell project capital projects fund had a decrease in fund balance as a result of prior year energy conservation improvement debt proceeds being spent down in 2013.

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.

The original 2013 general fund revenues were budgeted at \$5,959,258 and final budgeted revenues were \$6,177,895. The actual revenue received was slightly less than the final estimate due to fewer fees, licenses and permits collections than expected offset by collections coming in higher for income taxes. Final

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

appropriations increased over original appropriations mostly due to departmental requests for additional operating items throughout the year. Actual expenditures were much lower than the final appropriations due management keeping costs low while still providing the services the citizens expect.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2013 balances of capital assets as compared to 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$1,507,466	\$1,507,466	\$1,565,260	\$1,565,260	\$3,072,726	\$3,072,726
Construction in Progress	0	2,802,681	0	833,054	0	3,635,735
Buildings	2,061,153	2,147,852	3,939,265	4,079,923	6,000,418	6,227,775
Improvements other than Buildings	201,572	224,495	6,079,221	6,423,821	6,280,793	6,648,316
Furniture, Fixtures and Equipment	1,238,892	1,058,313	7,046,804	5,445,130	8,285,696	6,503,443
Vehicles	1,166,502	1,238,862	13,879	20,540	1,180,381	1,259,402
Infrastructure	34,692,060	31,883,560	12,466,216	12,695,606	47,158,276	44,579,166
Total Capital Assets	<u>\$40,867,645</u>	<u>\$40,863,229</u>	<u>\$31,110,645</u>	<u>\$31,063,334</u>	<u>\$71,978,290</u>	<u>\$71,926,563</u>

Total capital assets for governmental-type activities of the City of Ravenna increased from 2013 due primarily to traffic light additions. The City-wide energy conservation improvement project was completed during 2013. Additional information concerning the City's capital assets can be found in Note 14 to the basic financial statements.

Long-term Obligations

At December 31, 2013, the City of Ravenna had governmental long-term obligations of \$8,678,661 in bonds, capital leases and compensated absences outstanding. The Library bonds account for \$4,123,764 or 47.5 percent of the total governmental activities. At December 31, 2013, the City had \$15,041,684 outstanding in long-term business-type obligations, which include general obligation bonds, OPWC loans, OWDA loans, capital leases and compensated absences. Table 4 summarizes the City's long-term obligations outstanding. The 2012 amounts were restated on each activity but not in total.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$4,451,442	\$4,735,974	\$1,741,133	\$1,810,035	\$6,192,575	\$6,546,009
Special Assessment Bonds	51,200	102,439	0	0	51,200	102,439
Library Bonds	4,123,764	4,416,207	0	0	4,123,764	4,416,207
OPWC Loans	0	0	484,559	282,077	484,559	282,077
OWDA Loans	0	0	11,236,120	12,224,292	11,236,120	12,224,292
Capital Leases	630,472	633,149	9,939	18,888	640,411	652,037
Compensated Absences	820,494	858,984	171,221	238,530	991,715	1,097,514
Total	<u>\$10,077,372</u>	<u>\$10,746,753</u>	<u>\$13,642,972</u>	<u>\$14,573,822</u>	<u>\$23,720,344</u>	<u>\$25,320,575</u>

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The general obligation bonds consist of a 1993 street improvement bond, a 1994 street improvement bond, a municipal building improvement bond, and energy conservation bonds. The energy conservation bonds were issued in 2012 to provide funding for a City-wide energy conservation improvement project. The special assessment bond is also related to the 1994 street improvement project and is repaid from the collection of assessments by the County Auditor from the specific property owners who benefit from the project. As previously noted, the library improvement bonds represent debt, as principal and interest are paid by the taxes provided by a property tax levy through the Reed Memorial Library. In total, governmental long-term obligations, net of the library bond, are \$5,953,608.

Business-type debt includes OWDA and OPWC loans outstanding for infrastructure improvement projects which are repaid using water and sewer revenues. The largest component of business-type activities debt is a 2005 OWDA loan for expansion of the City's Wastewater Treatment Plant. The loan is paid for with a combination of sewer revenues, distributed income tax receipts, and participation revenues from Portage County as noted above. A portion of the energy conservation bonds are also in business-type activities, as some of the energy conservation improvements were done at the water and sewer facilities. Additional information concerning debt issuances can be found in Note 18 to the basic financial statements.

Current Financial Related Activities

General Fund

2013 Overview

The ongoing battle with annual deficits in the general fund continued in 2013. The final numbers revealed another year of expenditures exceeding revenues and another year of calling upon the cash balance for relief. The year finished with a net loss of \$309,260. The past three years the City's general fund has experienced annual cash basis losses of:

2011 (317,825)

2012 (398,617)

2013 (309,260)

The 2012 deficit illustrated above does not include a one-time estate tax settlement that actually produced an operating surplus for the year. Notwithstanding this anomalous revenue, 2012 (as seen above without the estate tax settlement) would have finished in line with the operating loss trends to date.

REVIEWING THE BUDGET COMMISSION PLAN OF ACTION

Last year's MD&A chronicled the operating and policy changes that have been made over the past five years to counter the loss of revenue experienced from 2008 to 2012. The areas of staffing, budgetary spending and healthcare were all addressed as a part of a three phase plan that was initiated by the Budget Commission in 2009. While the strategy to stabilize spending worked to find a baseline for expenditures, it was not nearly enough to overcome the loss of revenues for that same period.

The following is an excerpt from the 2012 MD&A that summarizes the Budget Commission's Three Phase Strategy to balance the general fund budget:

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

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

The 2012 narrative was accompanied by a table that illustrated the decline in the City's general fund receipts. Income Tax receipts, interest income, and the State sponsored local government fund program continue to be the largest revenue segments. At this juncture, a discussion of Interest Rates and Local Government funds is not warranted, suffice it to say that neither will be returning to their previous numbers any time soon. As noted in the opening, Income Tax receipts have rebounded over the past three years and appear to be trending in a positive direction. The 2013 numbers were added to the table below to update the impact of the year-by-year revenue losses.

As noted in the past, it is the *cumulative* effect of these key revenue losses that continues to be at the root of the City's annual operating deficits.

REVENUE TRENDS 2008-2013

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>MATERIAL REVENUE CHANGES</u>						
INCOME TAX	11,000	(270,105)	(156,560)	52,963	174,385	37,450
INTEREST INCOME	(243,294)	(282,540)	19,867	31,791	6,230	54,915
LOCAL GOVT FUND	(8,479)	(103,605)	(8,036)	(3,931)	(174,272)	(100,043)
MATERIAL REVENUE CHANGES	(240,773)	(656,250)	(144,729)	80,823	6,343	(7,678)

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DEFICIT REDUCTIONS – PROJECTED VS. ACTUAL

As discussed throughout this report, the City has been forced to use the general fund's cash reserve balance to cover operating losses, with the exception of 2012. The numbers presented in the OVERVIEW and the table below illustrate that the City is operating at an amount that is between \$300,000 and \$400,000 from the break-even point. The Projected vs. Actual Table provides a snapshot of the City's efforts to minimize losses and measure the results of cost-cutting initiatives, as well as to illustrate the cash demand history on the general fund balance.

- The Projected row is the original budgeted operating loss, inclusive of all maximum costs and exposures.
- The Actual row is the year end operating loss after operational and policy reduction measures were implemented and unrealized maximum exposure costs were recaptured.

**DEFICIT REDUCTIONS -
PROJECTED VS. ACTUAL**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
PROJECTED DEFICIT	(1,402,633)	(1,602,014)	(589,340)	(1,030,876)	(851,323)
ACTUAL ANNUAL SURPLUS / (DEFICIT)	(998,436)	(520,364)	(317,825)	160,449	(309,260)
DEFICIT REDUCTION	(404,197)	(1,081,650)	(271,515)	(1,191,325)	(542,063)

The City ended 2013 with a general fund cash balance of \$1,360,504. If operating losses continue at their current three year average of \$350,000, the timeline to zero would be 3 years at best. And at a time when the general fund could least afford any material cost increases, the City was faced with a three year wage increase as a result of a Mediation Settlement.

IMPACT OF 2013 MEDIATED SETTLEMENT

One of the key factors that enabled the City to combat the ongoing revenue declines was that a City-wide wage freeze held the cost of labor in check for a four year period. With the escalating cost of annual labor increases off the table, the Budget Commission could focus on non-wage personnel issues such as staffing levels and department consolidations. That eventually came to an end in 2013 when a Mediated Collective Bargaining Settlement awarded pay increases of 1 percent in 2013 and 3 percent in both 2014 and 2015. The award went City-wide for all union and non-union employees, excluding elected officials. The impact in the first year, inclusive of all benefits and roll-ups, was the addition of over \$40,000 in cost to the general fund. In addition to this, the 3 percent in 2014 and 2015 will only widen the gap between revenues and expenditures. Without significant changes in either costs or receipts, the total annual deficit could approach \$500,000 and early projections indicate that the general fund cash reserve could be depleted at the end of 2015.

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HEALTHCARE PLAN CHANGES FOR 2013

A priority for the Budget Commission's policy review phase of the 2009 Deficit Reduction Plan was to overhaul the City's Employee Healthcare plan. Effective May 1, 2013 the City rolled out a new plan that was designed to be more in line with industry standards by including:

- Increased out-of pocket costs for participants
- An employee contribution
- An Opt-Out option
- A provision that the City will not cover employee spouses, if that spouse has coverage available elsewhere
- Two cost-level plans employees may choose from

The new healthcare plan design was the first year of a three year step-up plan that incrementally increases employee costs in 2014 and 2015. It was anticipated that the financial impact of the changes would save the City approximately \$225,000 in the first year based on conservative estimates. The net result of year one was impacted by the fact that claims costs paid in 2013 finished higher than those paid in 2012. This, coupled with the City-wide 1 percent wage increase, all but negated the projected first year savings.

The City is now looking to the end of 2014 to evaluate the healthcare changes based on a full calendar year experience with the understanding that the restructuring of the Policies and Plan will enable management to gain better control of costs moving forward.

A LOOK AHEAD

As 2014 begins, the City of Ravenna finds itself on a shortened time line with respect to having available monies in reserve to cover general fund operating losses. While projections indicate resources are available to cover short-term deficits, including the wage increases mentioned above, it will become increasingly difficult to publish annual Tax Budgets with maximum exposure liabilities included, without illustrating a negative fund balance at year end.

2013 SPECIAL REVENUE AND ENTERPRISE FUND REVIEW

STREET FUND:

The Street Department finished 2013 with an operating surplus of \$78,252 despite the increased cost of labor and related healthcare. 2013 marks the fourth consecutive year that the Street Department turned a surplus, as the fund's cash reserve remained over \$1 million at year end.

PARKS AND RECREATION:

The Parks and Recreation Department suffered its first annual operating loss since the City-owned Ravenna Athletic Center opened in late 2003. The Athletic Center, or RAC, operates and is accounted for under the auspice of the Parks and Recreation Department. Over the past four years the Department has experienced declines in its two major self-generated revenue categories. Program Fees and Athletic Center memberships have steadily fallen from a combined \$416,934 in 2010 to \$317,618 in 2013. The overall loss of \$99,316 finally caught up to annual expenditures, as the parks and recreation fund operated at a \$37,462 loss in 2013.

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Much like the situation in the general fund, the parks and recreation fund will need an immediate plan of action in place to address the annual operating deficit that was fueled by revenue losses.

WATER FUND:

For 2013, the water fund produced a \$93,850 operating surplus after capital projects of over \$390,000 were funded. As noted in previous MD&As, the projects were operationally funded on the strength of the fund balance as a part of the long term Capital Improvement strategy

SEWER FUND:

The sewer fund's financial performance remained consistent, as it operated at a \$169,070 surplus for 2013, slightly exceeding 2012 surplus of \$166,088 surplus. The Department capitalized over \$364,000 with the bulk of the capital dollars being spent on an upgrade to the Supervisory Control and Data Acquisition Technology (SCADA) at the Wastewater Treatment Plant.

SUMMARY:

At the end of 2013 the City of Ravenna found itself still searching for answers when it came to solving the general fund's operating deficit situation. The strategies employed over the past five years yielded significant results in expenditure reductions, but in the end, it was not enough to fully offset the ongoing loss of revenues. As noted above, projected numbers through 2015 show that the timeline for City Leaders to find a solution to this is growing shorter. The immediacy of the situation now demands a collaborative Administrative and Legislative effort to examine the impact of redefining traditional operating levels and to explore new sources of revenue for the future.

Contacting the City's Finance Department

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

City of Ravenna, Ohio

Statement of Net Position

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,539,638	\$6,805,985	\$12,345,623
Materials and Supplies Inventory	67,004	197,410	264,414
Accrued Interest Receivable	402	0	402
Accounts Receivable	934,776	743,029	1,677,805
Internal Balances	10,124	(10,124)	0
Intergovernmental Receivable	792,297	4,213,102	5,005,399
Prepaid Items	54,902	32,795	87,697
Income Taxes Receivable	1,211,878	219,925	1,431,803
Property Taxes Receivable	585,681	0	585,681
Special Assessments Receivable	70,095	0	70,095
Loans Receivable	6,520,454	0	6,520,454
Nondepreciable Capital Assets	1,507,466	1,565,260	3,072,726
Depreciable Capital Assets, Net	39,360,179	29,545,385	68,905,564
<i>Total Assets</i>	<u>56,654,896</u>	<u>43,312,767</u>	<u>99,967,663</u>
Deferred Outflow of Resources			
Deferred Charge on Refunding	138,185	0	138,185
Liabilities			
Accounts Payable	46,117	31,182	77,299
Accrued Wages	131,759	52,898	184,657
Intergovernmental Payable	189,612	65,407	255,019
Accrued Interest Payable	26,914	10,964	37,878
Claims Payable	30,914	0	30,914
Long-Term Liabilities:			
Due Within One Year	919,707	1,181,602	2,101,309
Due In More Than One Year	9,157,665	12,461,370	21,619,035
<i>Total Liabilities</i>	<u>10,502,688</u>	<u>13,803,423</u>	<u>24,306,111</u>
Deferred Inflow of Resources			
Property Taxes	531,523	0	531,523
Net Position			
Net Investment in Capital Assets	35,796,676	17,665,526	53,462,202
Restricted for:			
Capital Projects	32,220	0	32,220
Revolving Loans	7,459,291	0	7,459,291
Street Construction, Maintenance and Repair	1,409,723	0	1,409,723
State Highway	71,111	0	71,111
Other Purposes	266,439	0	266,439
Unrestricted	723,410	11,843,818	12,567,228
<i>Total Net Position</i>	<u>\$45,758,870</u>	<u>\$29,509,344</u>	<u>\$75,268,214</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,664,314	\$169,307	\$0	\$34,963
Security of Persons and Property:				
Police	3,261,048	297,414	1,846	0
Fire	2,052,563	658,940	5,250	0
Leisure Time Activities	748,611	7,521	0	1,666
Public Health and Welfare	233,728	19,114	0	0
Community Environment	1,255,153	244,149	510,853	0
Transportation	3,327,971	327,249	861,487	0
Basic Utility Services	35,994	0	0	0
Economic Development	80,113	0	123,230	0
Interest and Fiscal Charges	531,283	0	0	0
<i>Total Governmental Activities</i>	<u>13,190,778</u>	<u>1,723,694</u>	<u>1,502,666</u>	<u>36,629</u>
Business-Type Activities:				
Water	3,691,459	2,830,053	0	117,911
Sewer	2,658,127	2,736,668	0	159,519
<i>Total Business-Type Activities</i>	<u>6,349,586</u>	<u>5,566,721</u>	<u>0</u>	<u>277,430</u>
<i>Total</i>	<u>\$19,540,364</u>	<u>\$7,290,415</u>	<u>\$1,502,666</u>	<u>\$314,059</u>

General Revenues

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

Total General Revenues

Change in Net Position

Net Position Beginning of Year

- Restated (See Note 23)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,460,044)	\$0	(\$1,460,044)
(2,961,788)	0	(2,961,788)
(1,388,373)	0	(1,388,373)
(739,424)	0	(739,424)
(214,614)	0	(214,614)
(500,151)	0	(500,151)
(2,139,235)	0	(2,139,235)
(35,994)	0	(35,994)
43,117	0	43,117
(531,283)	0	(531,283)
(9,927,789)	0	(9,927,789)
0	(743,495)	(743,495)
0	238,060	238,060
0	(505,435)	(505,435)
(9,927,789)	(505,435)	(10,433,224)
542,759	0	542,759
4,189,456	0	4,189,456
560,291	0	560,291
381,151	0	381,151
304,921	0	304,921
1,017,102	0	1,017,102
0	952,877	952,877
0	217,258	217,258
1,453,502	0	1,453,502
2,455	0	2,455
192,666	0	192,666
171,074	94,759	265,833
8,815,377	1,264,894	10,080,271
(1,112,412)	759,459	(352,953)
46,871,282	28,749,885	75,621,167
\$45,758,870	\$29,509,344	\$75,268,214

City of Ravenna, Ohio

Balance Sheet

Governmental Funds

December 31, 2013

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Honeywell Project	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$1,478,725	\$938,837	\$1,110,580	\$0	\$32,220	\$1,976,462	\$5,536,824
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	2,814	0	0	0	0	0	2,814
Materials and Supplies Inventory	30,434	0	33,852	0	0	2,718	67,004
Accounts Receivable	39,396	0	366	893,334	0	1,680	934,776
Accrued Interest Receivable	402	0	0	0	0	0	402
Interfund Receivable	259,679	0	0	0	0	0	259,679
Intergovernmental Receivable	269,788	0	271,346	5,250	0	245,913	792,297
Prepaid Items	38,270	0	6,016	0	0	10,616	54,902
Income Taxes Receivable	786,776	0	105,237	57,272	0	262,593	1,211,878
Property Taxes Receivable	585,681	0	0	0	0	0	585,681
Special Assessments Receivable	28,295	0	0	0	0	41,800	70,095
Loans Receivable	0	6,520,454	0	0	0	0	6,520,454
<i>Total Assets</i>	<u>\$3,520,260</u>	<u>\$7,459,291</u>	<u>\$1,527,397</u>	<u>\$955,856</u>	<u>\$32,220</u>	<u>\$2,541,782</u>	<u>\$16,036,806</u>
Liabilities							
Accounts Payable	\$21,603	\$0	\$13,130	\$0	\$0	\$11,384	\$46,117
Accrued Wages	107,779	0	14,291	0	0	9,689	131,759
Intergovernmental Payable	157,590	0	18,131	0	0	13,891	189,612
Interfund Payable	16,777	0	2,730	2,786	0	258,176	280,469
<i>Total Liabilities</i>	<u>303,749</u>	<u>0</u>	<u>48,282</u>	<u>2,786</u>	<u>0</u>	<u>293,140</u>	<u>647,957</u>
Deferred Inflows of Resources							
Property Taxes	531,523	0	0	0	0	0	531,523
Unavailable Revenue	533,617	0	196,849	852,316	0	330,687	1,913,469
<i>Total Deferred Inflows of Resources</i>	<u>1,065,140</u>	<u>0</u>	<u>196,849</u>	<u>852,316</u>	<u>0</u>	<u>330,687</u>	<u>2,444,992</u>
Fund Balances							
Nonspendable	71,518	0	39,868	0	0	13,334	124,720
Restricted	0	7,459,291	1,242,398	0	32,220	171,707	8,905,616
Committed	0	0	0	100,754	0	1,763,110	1,863,864
Assigned	807,040	0	0	0	0	0	807,040
Unassigned (Deficit)	1,272,813	0	0	0	0	(30,196)	1,242,617
<i>Total Fund Balances</i>	<u>2,151,371</u>	<u>7,459,291</u>	<u>1,282,266</u>	<u>100,754</u>	<u>32,220</u>	<u>1,917,955</u>	<u>12,943,857</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$3,520,260</u>	<u>\$7,459,291</u>	<u>\$1,527,397</u>	<u>\$955,856</u>	<u>\$32,220</u>	<u>\$2,541,782</u>	<u>\$16,036,806</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2013*

Total Governmental Fund Balances	\$12,943,857
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	40,867,645
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	54,158
Income Taxes	481,686
Intergovernmental	483,228
Charges for Services	825,897
Special Assessments	<u>68,500</u>
Total	1,913,469
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(26,914)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(4,451,442)
Special Assessment Bonds	(51,200)
Library Bonds	(4,123,764)
Capital Leases Payable	(630,472)
Compensated Absences	(820,494)
Deferred Charge on Refunding	<u>138,185</u>
Total	<u>(9,939,187)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$45,758,870</u></u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Honeywell Project	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$550,755	\$0	\$0	\$0	\$0	\$0	\$550,755
Income Taxes	4,176,471	0	558,554	303,975	0	1,393,920	6,432,920
Intergovernmental	615,126	123,230	822,390	4,500	0	1,528,766	3,094,012
Interest	137,305	55,361	0	0	0	0	192,666
Fees, Licenses and Permits	507,490	0	0	0	0	0	507,490
Fines and Forfeitures	42,404	0	0	0	0	9,982	52,386
Rentals	8,053	0	0	0	0	40,716	48,769
Charges for Services	0	0	0	453,549	0	561,637	1,015,186
Contributions and Donations	2,455	0	0	0	0	1,766	4,221
Special Assessments	0	0	0	0	0	48,798	48,798
Other	40,759	2,208	20,930	2,603	0	104,574	171,074
<i>Total Revenues</i>	<u>6,080,818</u>	<u>180,799</u>	<u>1,401,874</u>	<u>764,627</u>	<u>0</u>	<u>3,690,159</u>	<u>12,118,277</u>
Expenditures							
Current:							
General Government	1,581,524	0	0	0	0	2,191	1,583,715
Security of Persons and Property:							
Police	3,212,025	0	0	0	0	10,211	3,222,236
Fire	1,160,748	0	0	760,246	0	0	1,920,994
Leisure Time Activities	0	0	0	0	0	719,280	719,280
Public Health and Welfare	224,690	0	0	0	0	0	224,690
Community Environment	72,210	0	0	0	0	910,467	982,677
Transportation	0	0	1,378,460	0	0	10,035	1,388,495
Economic Development	0	80,113	0	0	0	0	80,113
Capital Outlay	0	0	0	0	1,258,715	1,251,539	2,510,254
Debt Service:							
Principal Retirement	49,297	0	1,011	0	157,500	380,294	588,102
Interest and Fiscal Charges	111,854	0	133	0	112,983	313,148	538,118
Issuance Costs	0	0	0	0	0	154,403	154,403
<i>Total Expenditures</i>	<u>6,412,348</u>	<u>80,113</u>	<u>1,379,604</u>	<u>760,246</u>	<u>1,529,198</u>	<u>3,751,568</u>	<u>13,913,077</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(331,530)</u>	<u>100,686</u>	<u>22,270</u>	<u>4,381</u>	<u>(1,529,198)</u>	<u>(61,409)</u>	<u>(1,794,800)</u>
Other Financing Sources (Uses)							
Inception of Capital Lease	0	0	0	0	0	117,925	117,925
Refunding Bonds Issued	0	0	0	0	0	4,060,000	4,060,000
Discount on Refunding Bonds Issued	0	0	0	0	0	(29,000)	(29,000)
Premium on Issuance of Debt	0	0	0	0	0	109,784	109,784
Payment to Refunded Bond Escrow Account	0	0	0	0	0	(4,439,875)	(4,439,875)
Transfers In	0	0	0	0	270,483	180,996	451,479
Transfers Out	(180,996)	0	0	0	0	(270,483)	(451,479)
<i>Total Other Financing Sources (Uses)</i>	<u>(180,996)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>270,483</u>	<u>(270,653)</u>	<u>(181,166)</u>
<i>Net Change in Fund Balances</i>	<u>(512,526)</u>	<u>100,686</u>	<u>22,270</u>	<u>4,381</u>	<u>(1,258,715)</u>	<u>(332,062)</u>	<u>(1,975,966)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 23)</i>	<u>2,663,897</u>	<u>7,358,605</u>	<u>1,259,996</u>	<u>96,373</u>	<u>1,290,935</u>	<u>2,250,017</u>	<u>14,919,823</u>
<i>Fund Balances End of Year</i>	<u>\$2,151,371</u>	<u>\$7,459,291</u>	<u>\$1,282,266</u>	<u>\$100,754</u>	<u>\$32,220</u>	<u>\$1,917,955</u>	<u>\$12,943,857</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$1,975,966)

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

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

Capital Outlay	\$1,625,660	
Depreciation	<u>(1,616,815)</u>	
 Total		 8,845

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. (4,429)

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

Property Taxes	(7,996)	
Income Taxes	20,001	
Intergovernmental	(102,981)	
Charges for Services	102,468	
Special Assessments	<u>(51,403)</u>	
 Total		 (39,911)

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

Library Bonds Issued	(4,060,000)	
Premium on Library Bonds	(109,784)	
Discount on Library Bonds	29,000	
Inception of Capital Lease	<u>(117,925)</u>	
 Total		 (4,258,709)

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 position. 5,027,977

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	11,937	
Accrued Interest on Capital Lease	(4,910)	
Amortization of Discount	(2,665)	
Amortization of Premium	6,016	
Amortization of Deferred Charge on Refunding	<u>(3,543)</u>	
 Total		 6,835

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. 38,490

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

Change in Net Position	130,082	
Internal Balances	<u>(45,626)</u>	
 Total		 <u>84,456</u>

Change in Net Position of Governmental Activities (\$1,112,412)

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$521,472	\$550,755	\$550,755	\$0
Income Taxes	4,047,621	4,047,620	4,182,976	135,356
Intergovernmental	586,357	652,957	686,955	33,998
Interest	136,500	136,500	138,962	2,462
Fees, Licenses and Permits	574,824	669,992	510,165	(159,827)
Fines and Forfeitures	53,581	53,581	42,404	(11,177)
Rentals	4,300	6,094	8,053	1,959
Contributions and Donations	23,120	25,420	2,455	(22,965)
Other	11,483	34,976	43,246	8,270
<i>Total Revenues</i>	<u>5,959,258</u>	<u>6,177,895</u>	<u>6,165,971</u>	<u>(11,924)</u>
Expenditures				
Current:				
General Government	1,786,666	1,852,773	1,620,763	232,010
Security of Persons and Property:				
Police	3,431,640	3,410,738	3,224,779	185,959
Fire	1,280,998	1,284,223	1,148,952	135,271
Public Health and Welfare	272,869	274,588	228,500	46,088
Community Environment	77,037	77,037	71,866	5,171
<i>Total Expenditures</i>	<u>6,849,210</u>	<u>6,899,359</u>	<u>6,294,860</u>	<u>604,499</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(889,952)</u>	<u>(721,464)</u>	<u>(128,889)</u>	<u>592,575</u>
Other Financing Sources (Uses)				
Advances In	268,949	277,539	58,704	(218,835)
Advances Out	(19,422)	(74,659)	(68,856)	5,803
Transfers Out	(182,861)	(200,480)	(180,996)	19,484
<i>Total Other Financing Sources (Uses)</i>	<u>66,666</u>	<u>2,400</u>	<u>(191,148)</u>	<u>(193,548)</u>
<i>Net Change in Fund Balance</i>	<u>(823,286)</u>	<u>(719,064)</u>	<u>(320,037)</u>	<u>399,027</u>
<i>Fund Balance Beginning of Year</i>	1,930,002	1,930,002	1,930,002	0
Prior Year Encumbrances Appropriated	<u>50,765</u>	<u>50,765</u>	<u>50,765</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,157,481</u>	<u>\$1,261,703</u>	<u>\$1,660,730</u>	<u>\$399,027</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Revolving Loan Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Interest	\$64,820	\$64,820	\$55,361	(\$9,459)
Other	181,225	181,225	501,871	320,646
<i>Total Revenues</i>	246,045	246,045	557,232	311,187
Expenditures				
Current:				
Economic Development	255,840	390,303	262,344	127,959
<i>Net Change in Fund Balance</i>	(9,795)	(144,258)	294,888	439,146
<i>Fund Balance Beginning of Year</i>	635,157	635,157	635,157	0
<i>Fund Balance End of Year</i>	<u>\$625,362</u>	<u>\$490,899</u>	<u>\$930,045</u>	<u>\$439,146</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$541,328	\$541,328	\$559,425	\$18,097
Intergovernmental	850,000	850,000	822,593	(27,407)
Charges for Services	1,000	1,000	1,075	75
Other	<u>3,276</u>	<u>3,276</u>	<u>16,084</u>	<u>12,808</u>
<i>Total Revenues</i>	1,395,604	1,395,604	1,399,177	3,573
Expenditures				
Current:				
Transportation	<u>1,419,001</u>	<u>1,442,914</u>	<u>1,321,162</u>	<u>121,752</u>
<i>Net Change in Fund Balance</i>	(23,397)	(47,310)	78,015	125,325
<i>Fund Balance Beginning of Year</i>	1,030,571	1,030,571	1,030,571	0
Prior Year Encumbrances Appropriated	<u>1,757</u>	<u>1,757</u>	<u>1,757</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,008,931</u>	<u>\$985,018</u>	<u>\$1,110,343</u>	<u>\$125,325</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
EMS Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Income Taxes	\$286,893	\$302,600	\$304,449	\$1,849
Intergovernmental	9,244	9,750	4,500	(5,250)
Charges for Services	429,145	452,640	446,231	(6,409)
Other	9,481	10,000	2,603	(7,397)
<i>Total Revenues</i>	734,763	774,990	757,783	(17,207)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	734,771	774,667	760,246	14,421
<i>Excess of Revenues Over (Under) Expenditures</i>	(8)	323	(2,463)	(2,786)
Other Financing Sources (Uses)				
Advances In	4,977	5,250	2,786	(2,464)
Advances Out	(9,146)	(9,750)	(4,500)	5,250
<i>Total Other Financing Sources (Uses)</i>	(4,169)	(4,500)	(1,714)	2,786
<i>Net Change in Fund Balance</i>	(4,177)	(4,177)	(4,177)	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	4,177	4,177	4,177	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$0	\$0

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	<u>Business-Type Activities - Enterprise</u>			Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	Activities - Internal Service
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$4,701,628	\$2,104,357	\$6,805,985	\$0
Materials and Supplies Inventory	184,012	13,398	197,410	0
Accounts Receivable	385,614	357,415	743,029	0
Intergovernmental Receivable	498	4,212,604	4,213,102	0
Prepaid Items	22,588	10,207	32,795	0
Income Taxes Receivable	178,975	40,950	219,925	0
Interfund Receivable	0	0	0	30,914
<i>Total Current Assets</i>	<u>5,473,315</u>	<u>6,738,931</u>	<u>12,212,246</u>	<u>30,914</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,282,800	282,460	1,565,260	0
Depreciable Capital Assets, Net	16,648,306	12,897,079	29,545,385	0
<i>Total Noncurrent Assets</i>	<u>17,931,106</u>	<u>13,179,539</u>	<u>31,110,645</u>	<u>0</u>
<i>Total Assets</i>	<u>23,404,421</u>	<u>19,918,470</u>	<u>43,322,891</u>	<u>30,914</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	21,384	9,798	31,182	0
Accrued Wages	28,606	24,292	52,898	0
Intergovernmental Payable	35,956	29,451	65,407	0
Interfund Payable	5,648	4,476	10,124	0
Accrued Interest Payable	5,735	5,229	10,964	0
Compensated Absences Payable	49,244	24,814	74,058	0
Capital Leases Payable	3,068	2,343	5,411	0
OPWC Loans Payable	32,729	0	32,729	0
OWDA Loans Payable	97,082	898,822	995,904	0
General Obligation Bonds Payable	49,000	24,500	73,500	0
Claims Payable	0	0	0	30,914
<i>Total Current Liabilities</i>	<u>328,452</u>	<u>1,023,725</u>	<u>1,352,177</u>	<u>30,914</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	54,492	42,671	97,163	0
Capital Leases Payable	2,270	2,258	4,528	0
OPWC Loans Payable	451,830	0	451,830	0
OWDA Loans Payable	1,041,431	9,198,785	10,240,216	0
General Obligation Bonds Payable	1,111,755	555,878	1,667,633	0
<i>Total Long-Term Liabilities</i>	<u>2,661,778</u>	<u>9,799,592</u>	<u>12,461,370</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,990,230</u>	<u>10,823,317</u>	<u>13,813,547</u>	<u>30,914</u>
Net Position				
Net Investment in Capital Assets	15,159,696	2,505,830	17,665,526	0
Unrestricted	5,254,495	6,589,323	11,843,818	0
<i>Total Net Position</i>	<u>\$20,414,191</u>	<u>\$9,095,153</u>	<u>\$29,509,344</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$2,792,128	\$2,736,668	\$5,528,796	\$1,658,597
Fees, Licenses and Permits	37,925	0	37,925	0
Other	67,567	27,192	94,759	0
<i>Total Operating Revenues</i>	<u>2,897,620</u>	<u>2,763,860</u>	<u>5,661,480</u>	<u>1,658,597</u>
Operating Expenses				
Personal Services	1,548,014	1,252,261	2,800,275	0
Materials and Supplies	362,994	129,514	492,508	0
Contractual Services	1,193,836	582,731	1,776,567	422,310
Depreciation	539,059	646,455	1,185,514	0
Claims	0	0	0	1,106,205
<i>Total Operating Expenses</i>	<u>3,643,903</u>	<u>2,610,961</u>	<u>6,254,864</u>	<u>1,528,515</u>
<i>Operating Income (Loss)</i>	<u>(746,283)</u>	<u>152,899</u>	<u>(593,384)</u>	<u>130,082</u>
Non-Operating Revenues (Expenses)				
Municipal Income Taxes	952,877	217,258	1,170,135	0
Interest and Fiscal Charges	(72,251)	(68,097)	(140,348)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>880,626</u>	<u>149,161</u>	<u>1,029,787</u>	<u>0</u>
<i>Income before Capital Contributions and Transfers</i>	<u>134,343</u>	<u>302,060</u>	<u>436,403</u>	<u>130,082</u>
Capital Contributions	117,911	159,519	277,430	0
Transfers In	1,000	0	1,000	0
Transfers Out	0	(1,000)	(1,000)	0
<i>Change in Net Position</i>	<u>253,254</u>	<u>460,579</u>	<u>713,833</u>	<u>130,082</u>
<i>Net Position (Deficit) Beginning of Year - Restated (See Note 23)</i>	<u>20,160,937</u>	<u>8,634,574</u>	<u>28,795,511</u>	<u>(130,082)</u>
<i>Net Position End of Year</i>	<u>\$20,414,191</u>	<u>\$9,095,153</u>	<u>\$29,509,344</u>	<u>\$0</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, 2013

	Business-Type Activities - Enterprise			Governmental
	Water	Sewer	Total	Activities - Internal Service
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,769,227	\$2,653,802	\$5,423,029	\$0
Cash Received from Interfund Services Provided	0	0	0	1,627,683
Other Operating Revenues	73,718	28,234	101,952	0
Cash Payments to Suppliers for Materials and Supplies	(495,674)	(146,499)	(642,173)	0
Cash Payments for Employee Services and Benefits	(1,567,994)	(1,278,579)	(2,846,573)	0
Cash Payments for Contractual Services	(1,201,931)	(579,052)	(1,780,983)	(422,310)
Cash Payments for Claims	0	0	0	(1,205,373)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(422,654)</i>	<i>677,906</i>	<i>255,252</i>	<i>0</i>
Cash Flows from Noncapital Financing Activities				
Municipal Income Taxes	951,403	216,920	1,168,323	0
Transfers In	1,000	0	1,000	0
Transfers Out	0	(1,000)	(1,000)	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>952,403</i>	<i>215,920</i>	<i>1,168,323</i>	<i>0</i>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(868,197)	(364,628)	(1,232,825)	0
Capital Grants	117,911	460,761	578,672	0
OPWC Loans Issued	234,878	0	234,878	0
Principal Paid on General Obligation Bonds	(45,000)	(22,500)	(67,500)	0
Principal Paid on OWDA Loans	(93,805)	(894,367)	(988,172)	0
Principal Paid on OPWC Loans	(32,396)	0	(32,396)	0
Principal Paid on Capital Leases	(5,507)	(3,442)	(8,949)	0
Interest Paid on General Obligation Bonds	(32,281)	(16,140)	(48,421)	0
Interest Paid on OWDA Loans	(41,869)	(53,380)	(95,249)	0
Interest Paid on Capital Leases	(435)	(318)	(753)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<i>(766,701)</i>	<i>(894,014)</i>	<i>(1,660,715)</i>	<i>0</i>
<i>Net Decrease in Cash and Cash Equivalent</i>	<i>(236,952)</i>	<i>(188)</i>	<i>(237,140)</i>	<i>0</i>
<i>Cash and Cash Equivalents Beginning of Year (Restated)</i>	<i>4,938,580</i>	<i>2,104,545</i>	<i>7,043,125</i>	<i>0</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$4,701,628</i>	<i>\$2,104,357</i>	<i>\$6,805,985</i>	<i>\$0</i>

See accompanying notes to the basic financial statements

(continued)

City of Ravenna, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	(\$746,283)	\$152,899	(\$593,384)	\$130,082
Adjustments:				
Depreciation	539,059	646,455	1,185,514	0
(Increase) Decrease in Assets:				
Accounts Receivable	(54,646)	(63,688)	(118,334)	0
Intergovernmental Receivable	(29)	(18,136)	(18,165)	0
Materials and Supplies Inventory	(102,925)	45	(102,880)	0
Interfund Receivable	0	0	0	(30,914)
Prepaid Items	832	(22)	810	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(38,682)	(13,329)	(52,011)	0
Accrued Wages	4,870	3,885	8,755	0
Compensated Absences Payable	(30,725)	(36,584)	(67,309)	0
Interfund Payable	5,648	4,476	10,124	0
Intergovernmental Payable	227	1,905	2,132	0
Claims Payable	0	0	0	(99,168)
<i>Total Adjustments</i>	323,629	525,007	848,636	(130,082)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$422,654)	\$677,906	\$255,252	\$0

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$55,713</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$55,713</u></u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 1 - Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

The City participates in the Maple Grove Union Cemetery which is defined as a joint venture. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. This organization is discussed in Note 20 to the basic financial statements.

The City is associated with the Reed Memorial Library which is defined as a related organization. This organization is discussed in Note 21 to the basic financial statements.

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Ravenna have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the City's accounting policies are described below.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

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

Revolving Loan Fund The revolving loan fund accounts for and reports Federal grants restricted to making loans for economic development projects within the City.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

EMS Fund The EMS fund accounts for and reports income taxes, charges for services, and State grant money that are committed to City EMS services.

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

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

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

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

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

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the balance

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for service and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Cash and Cash Equivalents

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on December 31, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$137,305 which includes \$114,184 assigned from other City funds.

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Bond Premiums and Discounts

On the government-wide and business-type financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. The straight-line method of amortization is not materially different from the effective-interest method. Bond premiums are presented as an increase of the face amount of the general obligation notes payable. On the fund financial statements, bond premiums are reported as other financing source in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended as other financing use in the year the bonds are issued.

Restricted Assets

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

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Contributions of Capital

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

Capital Assets

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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:

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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balance

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

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

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

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

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in the 2014 appropriated budget.

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

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

Net Position

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

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

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

Estimates

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

Budgetary Process

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

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

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

Note 3 – Change in Accounting Principles

For 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB 14 and 34." This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the City's financial statements.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 4 – Fund Balances

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

Fund Balances	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Honeywell Project	Other Governmental Funds	Total
<u>Nonspendable:</u>							
Inventory	\$30,434	\$0	\$33,852	\$0	\$0	\$2,718	\$67,004
Prepays	38,270	0	6,016	0	0	10,616	54,902
Unclaimed Monies	2,814	0	0	0	0	0	2,814
<i>Total Nonspendable</i>	<u>71,518</u>	<u>0</u>	<u>39,868</u>	<u>0</u>	<u>0</u>	<u>13,334</u>	<u>124,720</u>
<u>Restricted for:</u>							
Revolving Loans	0	7,459,291	0	0	0	0	7,459,291
Street Maintenance	0	0	1,242,398	0	0	61,469	1,303,867
Law Enforcement	0	0	0	0	0	33,308	33,308
Capital Improvements	0	0	0	0	32,220	0	32,220
Community Development	0	0	0	0	0	76,930	76,930
<i>Total Restricted</i>	<u>0</u>	<u>7,459,291</u>	<u>1,242,398</u>	<u>0</u>	<u>32,220</u>	<u>171,707</u>	<u>8,905,616</u>
<u>Committed to:</u>							
Ambulance Service	0	0	0	100,754	0	0	100,754
Recreation	0	0	0	0	0	189,600	189,600
Recycling	0	0	0	0	0	332,232	332,232
Capital Improvements	0	0	0	0	0	1,241,278	1,241,278
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,754</u>	<u>0</u>	<u>1,763,110</u>	<u>1,863,864</u>
<u>Assigned to:</u>							
Purchases on Order	7,529	0	0	0	0	0	7,529
2014 Appropriations	799,511	0	0	0	0	0	799,511
<i>Total Assigned</i>	<u>807,040</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>807,040</u>
Unassigned (Deficit)	1,272,813	0	0	0	0	(30,196)	1,242,617
Total Fund Balances	<u><u>\$2,151,371</u></u>	<u><u>\$7,459,291</u></u>	<u><u>\$1,282,266</u></u>	<u><u>\$100,754</u></u>	<u><u>\$32,220</u></u>	<u><u>\$1,917,955</u></u>	<u><u>\$12,943,857</u></u>

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
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
For the Year Ended December 31, 2013

3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions.
5. Investments are reported at fair value (GAAP) rather than cost (budget basis).

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

	Net Change in Fund Balances			
	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS
GAAP Basis	(\$512,526)	\$100,686	\$22,270	\$4,381
Net Adjustment for Revenue Accruals	(24,818)	(123,230)	(2,697)	(6,844)
Beginning Fair Value Adjustment for Investments	(76,750)	0	0	0
Ending Fair Value Adjustment for Investments	186,721	0	0	0
Advances In	58,704	0	0	2,786
Loan Payments Received	0	499,663	0	0
Net Adjustment for Expenditures Accruals	125,018	67,469	58,679	0
Advances Out	(68,856)	0	0	(4,500)
Loans Issued	0	(240,908)	0	0
Encumbrances	(7,530)	(8,792)	(237)	0
Budget Basis	<u>(\$320,037)</u>	<u>\$294,888</u>	<u>\$78,015</u>	<u>(\$4,177)</u>

Note 6 – Accountability and Compliance

Accountability

The deficit in the Clean Ohio grant special revenue fund of \$19,464 and the USDA grant special revenue fund of \$10,732 were caused by revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit and provides transfers when cash is required, not when accruals occur.

Compliance

Contrary to Ohio law, expenditures were not properly certified prior to incurring the obligation. Management has indicated that certification will be closely monitored to ensure no future violations.

Note 7 - Deposits and Investments

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

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

City of Ravenna, Ohio
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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.

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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

The City has passed an ordinance allowing the City to 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.

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

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

Deposits

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,573,144 of the City's bank balance of \$7,131,094 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial 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 institutions 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, 2013, the City had the following investments:

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Federal Home Loan Bank Notes	\$1,899,529	Less than three years	AAA	17.62 %
Federal Home Loan Mortgage Notes	974,681	Less than three years	AAA	9.21
Federal Farm Credit Bank Bonds	642,376	Less than three years	AAA	6.01
Federal National Mortgage Association Notes	1,395,867	Less than three years	AAA	31.23
STAR Ohio	478,893	Average 53.4 days	NA	NA
Total Portfolio	<u>\$5,391,346</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 investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

City of Ravenna, Ohio
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For the Year Ended December 31, 2013

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, Federal Home Loan Mortgage Notes, Federal Farm Credit Bank Bonds and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

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

Note 8 - Receivables

Receivables at December 31, 2013 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 and loans 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 revolving loan special revenue fund represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under Federal Grant programs. The loans bear interest at annual rates ranging between zero and seven percent. The loans are to be repaid over periods ranging from five to thirteen years. Loans expected to be collected in more than one year are \$6,020,791.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes become a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Ravenna. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In the general fund, the entire receivable has been deferred since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while on the modified accrual basis, the revenue has been recorded as deferred inflows of resources.

Intergovernmental

A summary of governmental activities intergovernmental receivables as of December 31, 2013, follows:

Governmental Activities	Amounts
Local Government	\$147,609
Clean Ohio Grant	133,800
Gasoline and Excise Tax	107,484
LGIF Grant	82,000
Estate Tax	72,238
Cents per Gallon Tax	54,648
Permissive Tax	53,862
Homestead and Rollback	33,850
Motor Vehicle License Tax	30,978
ODOT	24,493
Ravenna City School District	17,303
Miscellaneous	14,710
USDA Grant	10,733
Emergency Medical Services Grant	5,250
SAFE Grants	3,339
Total	<u>\$792,297</u>

The business-type activities intergovernmental receivable as of December 31, 2013, consists of the following:

Business-type Activities	Amounts
Portage County	\$4,212,467
Miscellaneous	635
Total	<u>\$4,213,102</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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, 2013 is \$4,212,467. The City owns and maintains the asset. The County is paying for the use of the asset. This amount has been recorded on the City's books as an asset in "intergovernmental receivable". The asset is recorded in the sewer enterprise fund.

Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 54.96 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, 4.00 percent to emergency management services special revenue funds, 1.93 percent to park improvement, 11.41 percent to capital improvements capital projects fund and 12.50 percent to the water and 2.85 percent to the sewer enterprise funds.

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 2013, the City contracted with two companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Companion Commercial Insurance	Umbrella Liability	\$5,000,000
	General Liability	3,000,000
	Stop Gap Liability	1,000,000
	Law Enforcement Liability - each person, each wrongful act	1,000,000
	Public Officials Liability	1,000,000
	Auto Liability	1,000,000
	Commercial Property	49,691,313
Zurich North American Surety	Bonds - Employees and Officials	100,000

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

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

The City manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$70,000 per employee per year.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The claims liability of \$30,914 reported in the internal service fund at December 31, 2013, 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 2012 and 2013 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2012	\$60,419	\$1,027,364	\$957,701	\$130,082
2013	130,082	1,106,205	1,205,373	30,914

Note 10 – Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2013, consist of an interfund receivable/payable between the general fund, emergency medical service, clean Ohio assistance, USDA grant and LGIF special revenue funds. These advances were made to cover qualifying expenditures in the grant funds which will be reimbursed when the grant monies are received by the City. An interfund receivable/payable between the internal service fund and the various governmental and enterprise funds due to the City moving money to pay claims when funds are needed rather than when claims are incurred.

	Interfund Receivable		
Interfund Payable	General	Internal Service	Total
Governmental Funds			
General	\$0	\$16,777	\$16,777
Street Construction, Maintenance and Repair	0	2,730	2,730
EMS	2,786	0	2,786
Other Governmental Funds	256,893	1,283	258,176
Enterprise Funds			
Water	0	5,648	5,648
Sewer	0	4,476	4,476
Grand Total	259,679	30,914	290,593

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Interfund Transfers

Transfer To	Transfer From				
	Governmental Funds		Enterprise Funds		
	General Fund	Other Governmental Funds	Water	Sewer	Total
Governmental Funds					
Major Fund:					
Honeywell Project	\$0	\$270,483	\$0	\$0	\$270,483
Other Governmental Funds:					
LGIF Grant	21,578	0	0	0	21,578
General Obligation Bond Retirement	132,770	0	0	0	132,770
Special Assessment Bond Retirement	26,648	0	0	0	26,648
Total Other Governmental Funds	180,996	270,483	0	0	451,479
Enterprise Funds					
Water	0	0	0	1,000	1,000
Total	\$180,996	\$270,483	\$0	\$1,000	\$452,479

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 11 - 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, 2013.

Litigation

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 12 – 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 13 - Capital Leases

During 2013, the City had lease agreements for an ambulance for the fire department, copy machines, a mailing system, a garage for the street department, vehicles for the police department, and a fueling station. These lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements and in the enterprise funds. The original amounts capitalized for the capital leases and the book value as of December 31, 2013 follows:

<i>Asset:</i>	Governmental Activities	Business-type Activities
Buildings	\$600,000	\$0
Improvements	64,423	18,170
Machinery and Equipment	17,724	0
Vehicles	601,364	0
Historical Cost	1,283,511	18,170
Less: Accumulated Depreciation	(444,759)	(2,502)
Total Book Value as of December 31, 2013	<u>\$838,752</u>	<u>\$15,668</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
2014	\$123,717	\$5,722
2015	116,323	3,731
2016	101,885	932
2017	79,550	0
2018	36,000	0
2019-2023	180,000	0
2024	9,000	0
Total Minimum Lease Payments	646,475	10,385
Less: Amount Representing Interest	(16,003)	(446)
Present Value of Minimum Lease	<u>\$630,472</u>	<u>\$9,939</u>

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 14 - Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,507,466	\$0	\$0	\$1,507,466
Construction in progress	2,802,681	0	(2,802,681)	0
Total capital assets not being depreciated	<u>4,310,147</u>	<u>0</u>	<u>(2,802,681)</u>	<u>1,507,466</u>
Capital assets being depreciated				
Buildings	5,061,978	0	0	5,061,978
Improvements other than Buildings	565,175	0	0	565,175
Furniture, Fixtures and Equipment	2,748,226	391,116	(17,141)	3,122,201
Vehicles	3,565,921	153,724	(56,892)	3,662,753
Infrastructure:				
Streets	43,223,959	0	0	43,223,959
Storm Drains	4,695,087	0	0	4,695,087
Sidewalks	8,683,603	0	0	8,683,603
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	710,800	3,883,501	0	4,594,301
Total capital assets being depreciated	<u>70,790,349</u>	<u>4,428,341</u>	<u>(74,033)</u>	<u>75,144,657</u>
Accumulated depreciation				
Buildings	(2,914,126)	(86,699)	0	(3,000,825)
Improvements other than Buildings	(340,680)	(22,923)	0	(363,603)
Furniture, Fixtures and Equipment	(1,689,913)	(209,027)	15,631	(1,883,309)
Vehicles	(2,327,059)	(223,165)	53,973	(2,496,251)
Infrastructure:				
Streets	(19,692,696)	(711,360)	0	(20,404,056)
Storm Drains	(2,517,916)	(35,994)	0	(2,553,910)
Sidewalks	(3,693,505)	(217,090)	0	(3,910,595)
Fire Hydrants	(676,169)	(20,475)	0	(696,644)
Traffic Lights	(385,203)	(90,082)	0	(475,285)
Total accumulated depreciation	<u>(34,237,267)</u>	<u>(1,616,815) *</u>	<u>69,604</u>	<u>(35,784,478)</u>
Capital assets being depreciated, net	<u>36,553,082</u>	<u>2,811,526</u>	<u>(4,429)</u>	<u>39,360,179</u>
Governmental activities capital assets, net	<u>\$40,863,229</u>	<u>\$2,811,526</u>	<u>(\$2,807,110)</u>	<u>\$40,867,645</u>

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

General Government	\$26,071
Security of Persons and Property:	
Police	112,174
Fire	146,483
Leisure Time Activities	51,883
Public Health and Welfare	20,475
Community Environment	275,533
Transportation	948,202
Basic Utility Services	35,994
Total	\$1,616,815

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,565,260	\$0	\$0	\$1,565,260
Construction in progress	833,054	936,546	(1,769,600)	0
Total capital assets not being depreciated	2,398,314	936,546	(1,769,600)	1,565,260
Capital assets being depreciated				
Buildings	7,750,724	0	0	7,750,724
Improvements other than Buildings	14,533,215	81,082	0	14,614,297
Furniture, Fixtures and Equipment	8,179,408	1,984,797	0	10,164,205
Vehicles	67,959	0	0	67,959
Infrastructure:				
Water Lines	15,851,674	0	0	15,851,674
Sewer Lines	6,532,228	0	0	6,532,228
Total capital assets being depreciated	52,915,208	2,065,879	0	54,981,087
Accumulated depreciation				
Buildings	(3,670,801)	(140,658)	0	(3,811,459)
Improvements other than Buildings	(8,109,394)	(425,682)	0	(8,535,076)
Furniture, Fixtures and Equipment	(2,734,278)	(383,123)	0	(3,117,401)
Vehicles	(47,419)	(6,661)	0	(54,080)
Infrastructure:				
Water Lines	(6,618,568)	(166,981)	0	(6,785,549)
Sewer Lines	(3,069,728)	(62,409)	0	(3,132,137)
Total accumulated depreciation	(24,250,188)	(1,185,514)	0	(25,435,702)
Capital assets being depreciated, net	28,665,020	880,365	0	29,545,385
Business-type activities capital assets, net	\$31,063,334	\$1,816,911	(\$1,769,600)	\$31,110,645

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 15 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates law enforcement increased to 13 percent. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$531,248, \$418,442, and \$419,029, respectively. For 2013, 89.45 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$21,016 made by the City and \$15,011 made by plan members.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Ohio Police and Fire Pension Fund

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

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2103, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013 thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$237,300 and \$227,173 for the year ended December 31, 2013, \$184,961 and \$192,751 for the year ended December 31, 2012, and \$179,361 and \$197,238 for the year ended December 31, 2011, respectively. 88.02 percent for police and 88.59 percent for firefighters has been contributed for 2013 with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Note 16 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$40,865, \$167,377, and \$167,612, respectively. For 2013, 89.45 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

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

Police and Firemen's Disability and Pension Fund

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

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available off OP&F's website at www.op-f.org.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$54,064 and \$40,283 for the year ended December 31, 2013, \$97,921 and \$75,424 for the year ended December 31, 2012, and \$94,956 and \$77,180 for the year ended December 31, 2011. 88.02 percent has been contributed for police and 88.59 percent has been contributed for firefighters for 2013 with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Note 17 – Notes Payable

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

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
Governmental Activities:				
2.750% 2012 Dispatch Center Note	\$90,000	\$0	\$90,000	\$0

On August 29, 2012, the City issued notes for the purpose of improving the dispatch center. The notes matured on August 29, 2013 and were paid out of the capital improvement fund.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 18 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
<i>OPWC Loans:</i>			
Cotton Corners Waterline - 1994	0.00%	\$112,173	2015
Lakewood Road Waterline - 1996	0.00%	168,327	2016
Hayes Road Waterline - 2000	0.00%	69,190	2019
Highland Avenue Reconstruction - 2001	0.00%	35,823	2021
Lake Avenue Water and Storm Loan - 2003	0.00%	30,556	2023
Chestnut and Washington Water and Storm Sewers - 2007	0.00%	50,000	2027
West Main Street Waterline Replacement - 2008	0.00%	50,000	2028
Ravenna Area Water Improvements - 2009	0.00%	17,801	2029
New Milford Road Waterline - 2009	0.00%	22,597	2029
Clinton and Lafayette Waterline - 2011	0.00%	84,726	2032
Cleveland Road - 2013	0.00%	13,470	2033
North Diamond Water and Storm - 2013	0.00%	325,000	2034
<i>OWDA Loans:</i>			
Lovers Lane Windmill Sewer - 2003	3.95%	292,433	2022
Kent/Ravenna Emergency Waterline - 2003	3.65%	486,102	2023
WWTP Expansion - 2003	3.77%	12,934,646	2024
Water Meters - 2010	3.40%	1,111,883	2023
<i>General Obligation Bonds:</i>			
Energy Conservation Improvement Bonds - 2012	2.00% to 3.00%	1,782,000	2032
Governmental Activities			
<i>General Obligation Bonds:</i>			
Streetscape Bonds - 1993	3.50% to 6.30%	995,000	2013
Streetscape Bonds - 1994	4.20% to 6.35%	171,514	2014
Municipal Building Improvement - 2003	4.00% to 5.00%	635,000	2023
Energy Conservation Improvement Bonds - 2012	2.00% to 3.00%	4,158,000	2032
<i>Special Assessment Bonds</i>			
<i>with Governmental Commitments:</i>			
Streetscape Bonds - 1994	4.20% to 6.35%	638,486	2014
<i>Library Bonds:</i>			
Reed Memorial Library Bonds - 2003	2.00% to 5.00%	5,350,000	2033
Reed Memorial Library Serial Refunding Bonds - 2013	3.00% to 4.00%	3,450,000	2033
Reed Memorial Library Term Refunding Bonds - 2013	3.00%	610,000	2026

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

	Outstanding 12/31/12	Additions	(Reductions)	Outstanding 12/31/13	Amounts Due in One Year
Business Type Activities					
OPWC Loans					
Cotton Corners Waterline	\$11,215	\$0	(\$5,609)	\$5,606	\$5,606
Lakewood Road Waterline	25,251	0	(8,416)	16,835	8,416
Hayes Road Waterline	22,489	0	(3,459)	19,030	3,459
Highland Avenue Reconstruction	14,330	0	(1,791)	12,539	1,791
Lake Avenue Water and Storm Loan Chestnut and Washington	16,041	0	(1,528)	14,513	1,528
Water and Storm Sewers	37,500	0	(2,500)	35,000	2,500
West Main Street Waterline Replacement	38,750	0	(2,500)	36,250	2,500
Ravenna Area Water Improvements	14,686	0	(890)	13,796	890
New Milford Road Waterline	19,207	0	(1,130)	18,077	1,130
Clinton and Lafayette Waterline	82,608	0	(4,236)	78,372	4,236
Cleveland Road	0	13,470	(337)	13,133	673
North Diamond Water and Storm	0	221,408	0	221,408	0
<i>Total OPWC Loans</i>	<u>282,077</u>	<u>234,878</u>	<u>(32,396)</u>	<u>484,559</u>	<u>32,729</u>
OWDA Loans					
Lovers Lane Windmill Sewer	174,455	0	(14,538)	159,917	15,118
Kent/Ravenna Emergency Waterline	309,894	0	(23,358)	286,536	24,219
WWTP Expansion	10,817,519	0	(879,829)	9,937,690	883,704
Water Meters	922,424	0	(70,447)	851,977	72,863
<i>Total OWDA Loans</i>	<u>12,224,292</u>	<u>0</u>	<u>(988,172)</u>	<u>11,236,120</u>	<u>995,904</u>
General Obligation Bonds					
Energy Conservation Improvement Bonds	1,782,000	0	(67,500)	1,714,500	73,500
Premium on Energy Conservation Improvement Bonds	28,035	0	(1,402)	26,633	0
<i>Total General Obligation Bonds</i>	<u>1,810,035</u>	<u>0</u>	<u>(68,902)</u>	<u>1,741,133</u>	<u>73,500</u>
Capital Leases	18,888	0	(8,949)	9,939	5,411
Compensated Absences	238,530	32,922	(100,232)	171,221	74,058
<i>Total Business Type Activities</i>	<u>\$14,573,822</u>	<u>\$267,800</u>	<u>(\$1,198,651)</u>	<u>\$13,642,972</u>	<u>\$1,181,602</u>
Governmental Activities					
General Obligation Bonds					
Streetscape Bonds - 1993	\$80,000	\$0	(\$80,000)	\$0	\$0
Streetscape Bonds - 1994	27,558	0	(13,761)	13,797	13,797
Municipal Building Improvement	405,000	0	(30,000)	375,000	30,000
Energy Conservation Improvement Bonds	4,158,000	0	(157,500)	4,000,500	171,500
Premium on Energy Conservation Improvement Bonds	65,416	0	(3,271)	62,145	0
<i>Total General Obligation Bonds</i>	<u>4,735,974</u>	<u>0</u>	<u>(284,532)</u>	<u>4,451,442</u>	<u>215,297</u>
Special Assessment Bonds with Governmental Commitments					
Streetscape Bonds - 1994	\$102,439	\$0	(\$51,239)	\$51,200	\$51,200

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

	Outstanding 12/31/12	Additions	(Reductions)	Outstanding 12/31/13	Amounts Due in One Year
Governmental Activities (continued)					
Library Bonds					
Reed Memorial Library Bonds	\$4,455,000	\$0	(\$4,455,000)	\$0	\$0
Discount on Reed Memorial Library Bonds	(38,793)	0	38,793	0	0
Reed Memorial Library Refunding Serial Bonds	0	3,450,000	(15,000)	3,435,000	155,000
Reed Memorial Library Refunding Term Bonds	0	610,000	0	610,000	0
Discount on Reed Memorial Library Refunding Bonds	0	(29,000)	725	(28,275)	0
Premium on Reed Memorial Library Refunding Bonds	0	109,784	(2,745)	107,039	0
<i>Total Library Bonds</i>	<u>4,416,207</u>	<u>4,140,784</u>	<u>(4,433,227)</u>	<u>4,123,764</u>	<u>155,000</u>
Capital Leases	633,149	117,925	(120,602)	630,472	116,719
Compensated Absences	858,984	270,866	(309,356)	820,494	381,491
<i>Total Governmental Activities</i>	<u>\$10,746,753</u>	<u>\$4,529,575</u>	<u>(\$5,198,956)</u>	<u>\$10,077,372</u>	<u>\$919,707</u>

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 and are paid with property tax money from the Reed Memorial Library. On June 4, 2013, the bonds were retired by the City through an advance refunding. The original general obligation bonds were to mature on December 31, 2033. 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 net investment in capital assets since the capital assets do not belong to the City.

On June 4, 2013, the City issued \$4,060,000 in Library bonds to refund the 2003 Reed Memorial Library Bonds. The Library bonds included serial and term bonds in the amount of \$3,450,000 and \$610,000. The bonds were issued for a twenty year period with a final maturity at December 1, 2033.

The term bond matures on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	<u>\$610,000</u>
2024	\$195,000
2025	<u>205,000</u>
Total mandatory sinking fund payments	400,000
Amount due at stated maturity	<u>210,000</u>
Total	<u>\$610,000</u>
<i>Stated Maturity</i>	<i>12/1/2026</i>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The refunding bonds were sold at a premium of \$109,784 with an original issue discount of \$29,000. Net proceeds of \$4,439,875 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$4,335,000 of these bonds is considered defeased and the liability for the refund portion of these bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

The City decreased its total debt service payments by \$1,466,735 as a result of the advance refunding. The City also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$564,234.

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

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

The City has entered into a contractual agreement for construction loan from the Ohio Public Works Commission (OPWC). Under the terms of this agreement, OPWC will reimburse, advance or directly pay the construction costs of the approved projects. OPWC will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore, are not included in the schedule of future annual debt service requirements. The balance of the North Diamond Water and Storm loan is \$221,408.

The City's overall legal debt margin was \$13,671,116 at December 31, 2013. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

Business-Type Activities

	OPWC	OWDA Loans		Energy Conservation	
	Loans	Principal	Interest	General Obligation Bonds	
	Principal	Principal	Interest	Principal	Interest
2014	\$32,729	\$995,904	\$95,246	\$73,500	\$42,559
2015	27,127	1,003,788	87,517	75,000	41,089
2016	18,708	1,012,044	79,630	76,500	39,589
2017	18,709	1,020,045	71,586	78,000	38,059
2018	18,708	1,028,427	63,373	79,500	36,499
2019-2023	71,839	5,252,706	187,553	423,000	157,158
2024-2028	55,900	923,206	13,281	477,000	102,870
2029-2033	19,431	0	0	432,000	32,591
Total	\$263,151	\$11,236,120	\$598,186	\$1,714,500	\$490,414

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		Library Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$215,297	\$118,927	\$51,200	\$3,254	\$155,000	\$129,344
2015	205,000	113,123	0	0	160,000	124,694
2016	213,500	108,125	0	0	165,000	119,894
2017	217,000	102,805	0	0	170,000	114,944
2018	220,500	97,413	0	0	170,000	109,844
2019-2023	1,197,000	398,952	0	0	920,000	486,082
2024-2028	1,113,000	240,031	0	0	1,045,000	359,922
2029-2033	1,008,000	76,047	0	0	1,260,000	155,201
Total	<u>\$4,389,297</u>	<u>\$1,255,423</u>	<u>\$51,200</u>	<u>\$3,254</u>	<u>\$4,045,000</u>	<u>\$1,599,925</u>

Note 19 - Jointly Governed Organization

Metro Critical Response and Rescue Team (CRRT) The Metro Critical Response and Rescue Team is a multi-jurisdictional tactical unit consisting of member agencies within Summit County as well as selected out of county agencies. The CRRT is a team of specially trained police officers from participating political subdivisions which will respond to any incident where special weapons and tactics are needed within the member jurisdictions. Each agency has a departmental representative that collectively constitutes the “Board of Directors”. Each representative from each department is allotted one vote in the decision making process of CRRT matters. The CRRT Board of Directors is directed by an Executive Board consisting of a President, Vice-President and Secretary as elected annually from the members of the Board of Directors. The Board of Directors controls the budget and all financial concerns. In 2013, the City contributed \$4,000, which represents 5 percent of the total contribution.

Note 20 - Joint Venture

Maple Grove Union Cemetery - The City participates in the Maple Grove Union Cemetery which is a statutorily created union cemetery, formed under chapter 759.27 of the Ohio Revised Code. The Cemetery’s functions include the funding and operation of the cemetery which is located in both the City of Ravenna and the Township of Ravenna. It is governed by a three member board comprised of one member of the Township, one member of the City and one member voted on by the Board. The Board of Trustees approves its own budget, appoints personnel and oversees accounting and finance related activities. Each participant’s control is limited to its membership representation. The continued existence of the Cemetery is dependent upon the City’s continued participation, however, the City does not have an equity interest in the Cemetery. The Cemetery is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the City. The parties share in the costs of the operation of the cemetery based upon the prorated property valuations of each entity. The City’s percentage for 2013 was 58.0 percent. During 2013, \$165,323 was paid by the City for operating expenses and capital outlay. Complete financial statements may be obtained from the Maple Grove Union Cemetery, Ravenna, Ohio.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 21 – Related Organization

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

In 2003, the City of Ravenna issued general obligation bonds, in the amount of \$5,350,000, for Library improvements. In 2013, the bonds were refunded and the City of Ravenna issued serial and term bonds in the amounts of \$3,450,000 and \$610,000, respectively. The bonds will be paid with property tax money from the Reed Memorial Library levy and will mature in 2026 and 2033. Although the City of Ravenna holds title to the land and building of the Library, these assets are not included in the capital assets listing of the City because it does not utilize, maintain or improve the Library for City operations. When the debt is completely paid off in 2033, title of the building will be transferred to the Library. Financial information can be obtained from the Reed Memorial Library, Janice Kent Clerk/Treasurer, 167 East Market Street, Ravenna, Ohio 44266.

Note 22 – Encumbrances

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

Governmental Funds		Proprietary Funds	
General	\$7,530	Water	\$467,620
Revolving Loan	8,792	Sewer	310,465
Street Construction Maintenance and Repair	237		<u>\$778,085</u>
Other Governmental Funds	<u>519,334</u>		
Total Governmental Funds	<u>\$535,893</u>		

Note 23 – Restatement of Fund Balance/Net Position

During 2013, the City determined that the 2012 energy conservation improvement bonds were allocated incorrectly between governmental and business-type activities. This re-examination had the following effect on fund balance/net position as previously reported:

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

	General	Revolving Loan	Street Construction, Maintenance and Repair	
Fund Balance (Deficit), December 31, 2012	\$2,663,897	\$7,358,605	\$1,259,996	
Reallocation of Unspent Debt Proceeds (Cash)	0	0	0	
Adjusted Fund Balance (Deficit), December 31, 2012	<u>\$2,663,897</u>	<u>\$7,358,605</u>	<u>\$1,259,996</u>	
	EMS	Honeywell Project	Other Governmental Funds	Total Governmental Funds
Fund Balance (Deficit), December 31, 2012	\$96,373	(\$88,310)	\$2,250,017	\$13,540,578
Reallocation of Unspent Debt Proceeds (Cash)	0	1,379,245	0	1,379,245
Adjusted Fund Balance (Deficit), December 31, 2012	<u>\$96,373</u>	<u>\$1,290,935</u>	<u>\$2,250,017</u>	<u>\$14,919,823</u>
	Water	Sewer	Total Business-type Activities	Internal Service
Net Position (Deficit), December 31, 2012	\$20,128,595	\$8,592,099	\$28,720,694	(\$130,082)
Reallocation of Unspent Debt Proceeds (Cash)	(468,435)	(910,810)	(1,379,245)	0
Reduction to Debt Balance	500,777	953,285	1,454,062	0
Adjusted Net Position (Deficit), December 31, 2012	<u>\$20,160,937</u>	<u>\$8,634,574</u>	28,795,511	<u>(\$130,082)</u>
		Plus: Internal Balance	<u>(45,626)</u>	
		Total Net Position	<u>\$28,749,885</u>	

Prior to restatement, net position in governmental activities at December 31, 2012 was \$46,946,099. Total restatements of unspent debt proceeds (cash) and an increase of debt balances totaled \$1,379,245 and (\$1,454,062), respectively for an adjusted beginning net position of \$46,871,282.

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**CITY OF RAVENNA
PORTAGE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct</i>			
Farmers' Market Promotion Program	N/A	10.168	\$28,362
Total U.S. Department of Agriculture			<u>28,362</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Portage County</i>			
Neighborhood Stabilization Program	B-Z-08-062-1	14.218	3,612
Neighborhood Stabilization Program - Recaptured Funds	N/A	14.218	90,454
			<u>94,066</u>
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	A-C-10-2DI-1	14.228	1,164
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	A-C-12-2DI-1	14.228	32,719
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	A-F-11-2DI-1	14.228	357,357
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	A-F-12-2DI-1	14.228	44,614
			<u>435,854</u>
Home Investment Partnerships Program	A-C-10-2DI-2	14.239	10,439
Home Investment Partnerships Program	A-C-12-2DI-2	14.239	36,745
			<u>47,184</u>
Total U.S. Department of Housing and Urban Development			<u>577,104</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct</i>			
Bulletproof Vest Partnership Program	N/A	16.607	4,268
Total U.S. Department of Justice			<u>4,268</u>
U.S. Department of Health and Human Services			
<i>Passed Through Ohio Department of Aging</i>			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	N/A	93.044	375
Total U.S. Department of Health and Human Services			<u>375</u>
Total Federal Awards Expenditures			<u><u>\$610,109</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF RAVENNA
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$6,779,209
Loans made	240,878
Loan principal repaid	499,633
Ending loans receivable balance as of December 31, 2013	\$6,520,454
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$938,837
Administrative costs expended during 2013	\$85,256

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013, the City estimates \$25,859 to be uncollectible. \$25,859 are more than 60 days past due.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ravenna, Portage County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 2, 2015 in which we noted the Revolving Loan Fund opinion was qualified due to lack of supporting documentation for loans receivable and lack of allowance for uncollectible accounts.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-006 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001, 2013-004 and 2013-005.

Entity's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". To the left of the signature, there are two small, vertically aligned symbols that look like the letter "A" with a dot above them.

Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Ravenna's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Ravenna's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Community Development Block Grant and Nonentitlement Grants in Hawaii

As described in finding 2013-007 in the accompanying schedule of findings, the City did not comply with requirements regarding cash management applicable to its Community Development Block Grant and Nonentitlement Grants in Hawaii major federal program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to this program.

Qualified Opinion on Community Development Block Grant and Nonentitlement Grants in Hawaii

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grant and Nonentitlement Grants in Hawaii* paragraph, the City of Ravenna complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Community Development Block Grant and Nonentitlement Grants in Hawaii* for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-007 and 2013-008 to be material weaknesses.

The City's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2015

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CITY OF RAVENNA
PORTAGE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Availability of Public Records

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 149.43(B)(1) provides upon request all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

Promissory notes for three Community Development Block Grant loans and three Home Investment Partnership Program loans, totaling \$376,902 and made to Neighborhood Developmental Services, Inc. (NDS) could not be located. The City subsequently obtained new promissory notes from NDS dated August 12, 2014.

In addition, the City could not provide support for the new loans issued amount included in the loans receivable calculation. As a result, the new loans issued amount was forced. The City should establish procedures to help ensure records are available upon request.

Officials Response:

No documents were missing, as loan documents were never created for the *Development Receivable*. The Promissory Notes and Mortgages for the six individual loans referenced never existed. The Development Receivable was created when the houses in question were developed by the Community and Economic Development Corporation (CEDCorp), a 501(c)3 non-profit Community Housing Development Organization. The houses were developed under the Acquisition/Rehab/Resale activity of the State of Ohio's Community Housing Improvement Program. A portion of the development cost was provided by the CHIP funding and the homes were to be purchased by qualified LMI families through a lease-purchase arrangement. *CEDCorp did not file security documents on the houses because the intent was to transfer the ownership to the LMI family.* The use of the Development Receivable minimized the paperwork while assuring the debt to the City was properly recognized. Unfortunately, some of the LMI families were unable to complete the purchase process and remained in the home under an ongoing lease arrangement and with the associated Development Receivable remaining on the City's books. Also, for clarity, CEDCorp was merged into NDS in 2008. Given the length of time the Development Receivable remained on the books, it was suggested that house specific notes and mortgages be created for the outstanding amounts so that the receivable amount could be more easily tested and confirmed moving forward. NDS created the six notes and mortgages in August as a drafted change. It was understood by all that the Development Receivable on the Revolving Loan Fund Balance Sheet was to illustrate the NDS liability to the City as a result of the A/R/R activity as described above. The mortgages were to be established to support the program's liability to the City. *See Finding 2013-003 below.*

Written Receivable Policy

<i>Finding Number</i>	2013-002
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MATERIAL WEAKNESS

The City has \$1,600,330 in amortized loans receivable as of December 31, 2013, of which, \$25,859 are over 90 days past due and \$15,653 are in foreclosure. The City has \$4,543,222 in unamortized loans receivable as of December 31, 2013, of which, \$267,210 are in foreclosure.

In addition, the City has \$893,334 in Emergency Medical Services (EMS) accounts receivable as of December 31, 2013, of which, \$757,152 are over 90 days past due.

The City has unwritten procedures in place to collect these accounts; however, it does not have a formal written policy regarding the collection of overdue account, turning over to a collection agency, or writing off accounts determined to be uncollectible.

The City should develop a formal written policy regarding the collection of overdue accounts.

Official's Response:

Regarding collection policies and collection oversight, the Revolving Loan Fund Administration Agreement and Plan that exists between the City of Ravenna and NDS addresses the collection of overdue accounts in the revolving loan fund. The plan specifically states the actions that will be taken at different benchmarks of a delinquency. The City of Ravenna and its Community and Economic Development (CED) Committee have taken part in several client delinquency discussions and resolutions.

The City's Income Tax Collection policy has been in effect since the mid-nineties; however it has existed as an Administrative Policy only.

Ambulance Service Billing and Utility Billing do not have formal policies in effect. The City will address these areas independently. In the case of Ambulance Service, consideration will be given to the payment cycle of these receivables, as the use of traditional aging timelines is often impacted by insurance participation and Medicare reimbursals.

The City will develop and adopt specific policies for each receivable segment to ensure that realistic and proper aging cycles are measured for each segment. The policies will include a timeline on when receivables are not to be pursued, or "written off".

Neighborhood Development Services Receivable

<i>Finding Number</i>	2013-003
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MATERIAL WEAKNESS

The City previously loaned Revolving Loan Fund monies totaling \$376,902 for the purchase of five properties to Neighborhood Development Services, Inc. (NDS), the contracted grant and loan administrator of the City. Promissory Notes for the five properties could not be located. The City subsequently obtained new promissory notes from NDS dated August 12, 2014. Each of the Mortgages for the five properties covenant the borrower shall occupy, establish, and use the property as the borrower's principal residence within 60 days after the execution of this security instrument and shall continue to occupy the property as borrower's principal residence until the maturity or satisfaction of the corresponding promissory note. In addition, each of the Promissory Notes for the five properties provide the borrower shall not be required to make payments of principal; provided however, if the borrower shall be found in default of any of the terms or conditions of this Note, then the unpaid and remaining balance shall become immediately due and payable.

NDS does not occupy the residences as their principal residence; rather, NDS has leased the residences. As a result, NDS is in default of the terms and conditions of the Promissory Notes. In addition the loan agreements were signed only by the Executive Director of NDS and notarized by the Director of Lending of NDS.

The City should inform NDS of their default status and require NDS to payoff the remaining balances of the loans.

Officials Response:

The loan documents being referenced in this Finding refer back to Finding 2013-001. These loan documents were a drafted resolution, but were not executed. Furthermore, owner occupied notes were used in error as loan documents for the Development Receivables, however at no time did NDS inhabit these properties. It was agreed upon that correct instruments would be issued, and that NDS would, at no time, be the occupants of the properties. Regarding the actual loan documents, the State of Ohio requires notes and mortgages to be signed by the borrower. In satisfying the request to provide the mortgages, the Executive Director of NDS signed the draft documents to provide support and substantiate the Development Receivable on the books. Upon execution of mortgages on the properties in questions, the City will not deem NDS in default status for these loans, based on the nature of the Development Receivables and that each mortgage is a part of the larger Acquisition / Rehab / Resale Program, as detailed in the response to Finding 2013-001. At the December 18, 2014 meeting representatives of both the City and NDS noted that the Development Receivables have existed on the books in their present form without issue for over 10 years.

Codes of Conduct

<i>Finding Number</i>	2013-004
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NONCOMPLIANCE AND MATERIAL WEAKNESS

2 Code of Federal Regulations 215.42 provides the recipient shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to subagreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the recipient.

Administrative Agreement Between Neighborhood Development Services and the City of Ravenna provides NDS and those in direct or indirect employment shall not have any private interest, direct or indirect in the proposed agreement which is incompatible or in conflict with the discharge of work related to this agreement.

The City previously loaned Revolving Loan monies totaling \$1,556,902 to Neighborhood Development Services, Inc. (NDS), who is contracted for the administration of the Community Development Block Grant (CDBG). As of December 31, 2013, \$1,414,972 remains unpaid and is reported as a loan receivable in the Revolving Loan Fund.

The City should ensure no real or apparent conflict of interest exist prior to loaning Revolving Loan monies.

Official's Response:

The City of Ravenna's Revolving Loan Fund Administrative Plan states:

"NDS and those in direct or indirect employment shall not have any private interest, direct or indirect, in the proposed agreement which is incompatible or in conflict with the discharge or work related to the agreement."

This statement exists in multiple places. It is a part of a poorly constructed sentence in the Administrative Agreement, but is appropriately stated in all of the RLF Plans. Based on the intent and past application of this conflict of interest clause, the City does acknowledge the existence of a single, poorly worded sentence. It was agreed upon that the language would be modified to ensure the intent speaks to NDS *employees* as recipients of loans. A preliminary revision to the language is as follows:

"The City of Ravenna's Revolving Loan Fund Administrative Plan states that those employed by NDS, not NDS as a company and NDS affiliate companies, shall not have any private interest, direct or indirect, in the proposed agreement which is incompatible or in conflict with the discharge or work related to the agreement."

Debt

<i>Finding Number</i>	2013-005
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NONCOMPLIANCE AND MATERIAL WEAKNESS

City Ordinance 2012-216 Section VII provides the proceeds from the sale of the bonds, except any premium and accrued interest, shall be paid into the proper fund or funds and those proceeds are appropriated and shall be used for the purpose for which the bonds are being issued. Any portion of those proceeds representing premium and accrued interest shall be paid into the Bond Retirement Fund.

Ohio Rev. Code Section 5705.10 (I) indicates money paid into any fund shall be used only for the purposes for which such fund is established.

Ohio Rev. Code Section 729.52 provides in part that sewer funds shall be used for the payment of the cost of management, maintenance, operation, and repair of the sewerage system and sewage pumping, treatment, and disposal works. Any surplus in such fund may be used for the enlargement or replacement of the system and works, for construction and reconstruction of main and interceptor storm sewers, for the payment of interest on any debt incurred for the construction thereof.

Ohio Rev. Code Section 743.04 provides that water funds must be for the purpose of paying expenses of conducting and managing the waterworks of a municipal corporation, including operating expenses and the costs of permanent improvements.

During 2012, the City paid premiums from the Energy Conservation Bonds into the Honeywell Project Fund totaling \$42,984, the Water Fund totaling \$26,447 and Sewer Fund totaling \$24,100. The City paid proceeds of the Energy Conservation Bonds into the Honeywell Fund totaling \$2,726,460, the Water Fund \$1,532,520 and Sewer Fund \$1,681,020.

During the course of the project, project costs, paid from Governmental Funds totaled \$2,714,371. However, the City capitalized \$4,061,396 worth of assets. Total project costs paid from Business Type Funds totaled \$3,116,625. However, the City only capitalized \$1,769,600 worth of assets. As a result the business type funds (water and sewer) paid for assets for the governmental type funds which are not in accordance with purposes stated above.

Proceeds of debt should be paid in accordance with the City's ordinances. The City should refrain from purchasing assets with restricted business type funds for governmental purposes. The City's financial statements have been adjusted to reflect purchases from proper funds (which resulted in the Honeywell Project Fund and EMS Fund becoming major funds) and included a restatement of the prior year for the allocation of the bond proceeds.

Official's Response:

The City has adjusted its debt service to reflect the proper allocation based on the expenditure of bond proceeds. Fund balances were adjusted for 2013 to properly reflect the corrected debt service that was payable from each affected fund. The 2014 debt service was also adjusted and paid in accordance with the correction noted above.

The rationale for redistributing the debt service on the Energy Conservation Project was to acknowledge that the governmental component, traffic signal replacements, was the catalyst that allowed the City to move forward with a comprehensive energy plan. The projected Guaranteed Energy Savings for the total project were distributed in percentages identical to the manner that the proceeds were spent. This created the variance in debt service vs. cost allocation. The greatest amount of Energy Savings was specific to the Water and Sewer Funds, however, as noted above, without the Traffic Signal component, the project would not have moved forward. It was the intent of the City to apply the Guaranteed Energy Savings in proportion to the capital outlay, hence, reducing the debt service on the Traffic Signals.

Monitoring Grant and Loan Administrator

<i>Finding Number</i>	2013-006
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MATERIAL WEAKNESS

See (federal) finding # 2013-008 below; *Government Auditing Standards* also requires us to report this finding.

3. FINDINGS FOR FEDERAL AWARDS

Cash Management

Finding Number	2013-007
CFDA Title and Number	14.228 Community Development Block Grant and Nonentitlement Grants in Hawaii
Federal Award Number / Year	2013
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE/CASH MANAGEMENT AND MATERIAL WEAKNESS

24 Code of Federal Regulations Part 85.21(c) provides grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

The Ohio Department of Development Financial Management Rules and Regulations provide the grantee must develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds. Lump sum drawdowns are not permitted.

During 2013, \$423,526 of Community Development Block Grant (CDBG) advances were not reduced to a balance of less than \$5,000 within 15 days. The CDBG advances were disbursed in the following time periods:

Period	Amount
31 - 45 Days	\$20,741
46 - 60 Days	\$43,785
61 - 75 Days	\$43,000
106 - 120 Days	\$111,000
121 - 135 Days	\$188,500
181 - 195 Days	\$16,500
Total	\$423,526

Cash Management - (Continued)

Finding Number	2013-007 (Continued)
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In addition, \$10,000 and \$7,727 received on May 29, 2013 and October 28, 2013, respectively, had not been disbursed as of December 31, 2013.

The City should implement procedures to ensure CDBG advances are reduced to a balance of less than \$5,000 within 15 days.

Official's Response:

Draws are submitted to the State based on estimates before work has begun. Fund deployment was slowed due to delays in construction and changes amongst the identified projects. The State also requests that the City plan and draw funds in excess to keep the programs functioning during its shutdown. The State of Ohio Development Services Agency is aware of the status of the grant and understands that delays can occur.

Monitoring Grant and Loan Administrator

Finding Number	2013-008
CFDA Title and Number	14.228 Community Development Block Grant and Nonentitlement Grants in Hawaii
Federal Award Number / Year	2013
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

MATERIAL WEAKNESS

The City of Ravenna contracts with Neighborhood Development Services, Inc (NDS) for the administration of the Community Development Block Grants and Revolving Loan Program. The Administrative Agreement between NDS and the City of Ravenna provides NDS shall take all necessary actions to ensure the City's compliance with the provisions of the grant agreement; however, the scope of services does not in any way relieve the City of any of its responsibilities. NDS prepared grant applications, loan applications, performance reports, draw-downs and files that document compliance with requirements. NDS also determined loan amounts and supervised rehabilitation activities. However, the City did not review or approve these documents to monitor NDS and ensure compliance with grant requirements.

Since the City is ultimately responsible for compliance with grant requirements, the City should implement monitoring procedures to ensure NDS is complying with grant requirements.

Monitoring Grant and Loan Administrator (Continued)

Finding Number	2013-008 (Continued)
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Official's Response:

Regarding review and oversight, NDS prepares all grant applications, performance reports and drawdowns for submission to the City of Ravenna for final review and signoff. The application is reviewed and approved by CED Committee, City Council and the Mayor. None of these documents can be submitted without an approval from an authorized signatory of the City. Loan applications are prepared and submitted by the applicants, not by NDS. NDS follows a formal bidding process that ultimately determines the loan amounts for each project. The City of Ravenna Building Department approvals and inspections speak to the monitoring of the rehabilitation activities. All loan amounts and rehabilitation activities are consistent with both the grant and the City policies. The City of Ravenna is not passive in its oversight of the CHIP program. Not only does the finance office and the administration review and sign all State documents, but also the administration and Council participate in resolving any homeowner and contractor issues during the implementation of the program. The CED committee of council provides ongoing oversight of the housing activities.

NDS is also required annually to have a SOC-1 audit performed. This report is specifically intended to meet the needs of the managements of user entities (City of Ravenna) and the user entities' auditors, as they evaluate the effect of the controls at the service organizations (NDS) on the user entities' financial statement assertions. This monitoring tool is prepared by an outside audit firm and is submitted to the City of Ravenna annually. All of the grant related materials referenced above were made available to the Auditors for review. All of the grant related materials referenced above contain approvals and signatures of City officials where necessary.

Upon completion of our discussion of the monitoring measures that the City employs with regard to the oversight of NDS activity, it was agreed upon that that the accounting function would ensure that development receivables, or any subsequent similar programs, are supported by mortgages on file with NDS.

**CITY OF RAVENNA
PORTAGE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-007	Draws are submitted to the State based on estimates before work has begun. Fund deployment was slowed due to delays in construction and changes amongst the identified projects. The State also requests that the City plan and draw funds in excess to keep the programs functioning during its shutdown. The State of Ohio Development Services Agency is aware of the status of the grant and understands that delays can occur.	2/2/2015	Kimble Cecora
2013-008	Upon completion of our discussion of the monitoring measures that the City employs with regard to the oversight of NDS activity, it was agreed upon that that the accounting function would ensure that development receivables, or any subsequent similar programs, are supported by mortgages on file with NDS.	2/2/2015	Kimble Cecora



Dave Yost • Auditor of State

CITY OF RAVENNA

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2015**