

City of Ravenna, Ohio

**Single Audit Reports
December 31, 2014**



Dave Yost • Auditor of State

Members of Council
City of Ravenna
210 Parkway
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the City of Ravenna, Portage County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 18, 2015

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City of Ravenna, Ohio

For The Year Ended December 31, 2014

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For The Year Ended December 31, 2014

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Independent Auditor's Report

Members of the City Council
Ravenna, Ohio

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, Ohio (the "City"), as of and for the year ended December 31, 2014, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members of the City Council
Ravenna, Ohio

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Revolving Loan Fund, the Street Construction, Maintenance and Repair Fund and the EMS Fund for the year then ended in accordance with 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 that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cini & Parichi, Inc.

Cleveland, Ohio
June 30, 2015

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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, 2014. 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 2013, the City's primary focus was on addressing the operating deficit status of the general fund. Expenditures and other financing uses have outpaced revenues over the past several 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 2014 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 2014 was the continued steady growth of income tax receipts. 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 2014?" 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

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Management's Discussion and Analysis
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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 capital improvements capital projects fund which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

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

City of Ravenna, Ohio
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Proprietary Funds The City of Ravenna's 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 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$15,593,822	\$15,787,251	\$12,206,267	\$12,202,122	\$27,800,089	\$27,989,373
Capital Assets, Net	39,962,308	40,867,645	30,089,125	31,110,645	70,051,433	71,978,290
Total Assets	55,556,130	56,654,896	42,295,392	43,312,767	97,851,522	99,967,663
Deferred Outflow of Resources	131,099	138,185	0	0	131,099	138,185
Liabilities						
Current Liabilities	1,211,970	425,316	185,399	160,451	1,397,369	585,767
Long-Term Liabilities						
Due Within One Year	975,577	919,707	1,201,645	1,181,602	2,177,222	2,101,309
Due in More Than One Year	8,603,796	9,157,665	11,526,998	12,461,370	20,130,794	21,619,035
Total Liabilities	10,791,343	10,502,688	12,914,042	13,803,423	23,705,385	24,306,111
Deferred Inflow of Resources	535,412	531,523	0	0	535,412	531,523
Net Position						
Net Investment in Capital Assets	35,297,246	35,796,676	17,582,479	17,665,526	52,879,725	53,462,202
Restricted for:						
Capital Projects	0	32,220	0	0	0	32,220
Debt Service	2,682	0	0	0	2,682	0
Revolving Loans	7,425,112	7,459,291	0	0	7,425,112	7,459,291
Street Construction,						
Maintenance and Repair	1,472,472	1,409,723	0	0	1,472,472	1,409,723
State Highway	70,380	71,111	0	0	70,380	71,111
Other Purposes	85,068	266,439	0	0	85,068	266,439
Unrestricted	7,514	723,410	11,798,871	11,843,818	11,806,385	12,567,228
Total Net Position	\$44,360,474	\$45,758,870	\$29,381,350	\$29,509,344	\$73,741,824	\$75,268,214

City of Ravenna, Ohio
Management's Discussion and Analysis
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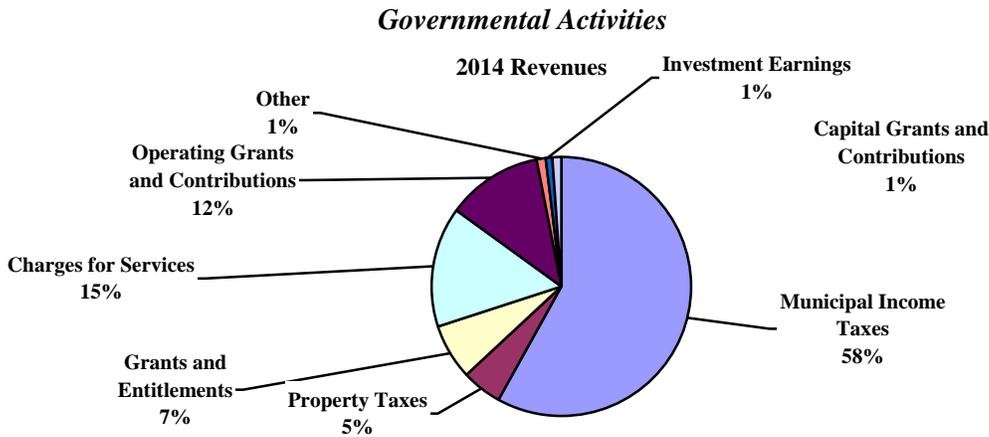
By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the governmental activities net position of the City has decreased. This is primarily due to a decrease in capital assets resulting from current year depreciation outpacing additions. The decrease in net position was partially offset by a reduction to long-term liabilities resulting from the continued pay-down of long-term debt obligations. 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 2014 and 2013.

Table 2
Change in Net Position

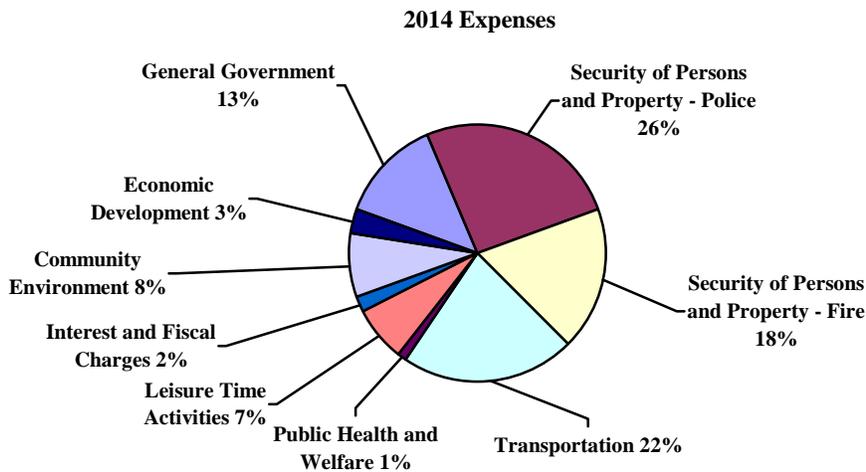
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services and Assesments	\$1,708,110	\$1,723,694	\$5,521,526	\$5,566,721	\$7,229,636	\$7,290,415
Operating Grants and Contributions	1,320,803	1,502,666	0	0	1,320,803	1,502,666
Capital Grants and Contributions	177,914	36,629	457,224	277,430	635,138	314,059
Total Program Revenues	<u>3,206,827</u>	<u>3,262,989</u>	<u>5,978,750</u>	<u>5,844,151</u>	<u>9,185,577</u>	<u>9,107,140</u>
General Revenues						
Property Taxes	520,131	542,759	0	0	520,131	542,759
Income Taxes	6,477,216	6,452,921	1,174,505	1,170,135	7,651,721	7,623,056
Grants and Entitlements	793,868	1,453,502	0	0	793,868	1,453,502
Unrestricted Contributions	2,000	2,455	0	0	2,000	2,455
Investment Earnings	114,650	192,666	0	0	114,650	192,666
Other	87,402	171,074	91,360	94,759	178,762	265,833
Total General Revenues	<u>7,995,267</u>	<u>8,815,377</u>	<u>1,265,865</u>	<u>1,264,894</u>	<u>9,261,132</u>	<u>10,080,271</u>
Total Revenues	<u>11,202,094</u>	<u>12,078,366</u>	<u>7,244,615</u>	<u>7,109,045</u>	<u>18,446,709</u>	<u>19,187,411</u>
Program Expenses						
General Government	1,621,645	1,664,314	0	0	1,621,645	1,664,314
Security of Persons and Property:						
Police	3,351,966	3,261,048	0	0	3,351,966	3,261,048
Fire	2,292,436	2,052,563	0	0	2,292,436	2,052,563
Leisure Time Activities	847,107	748,611	0	0	847,107	748,611
Public Health and Welfare	156,747	233,728	0	0	156,747	233,728
Community Environment	1,015,673	1,255,153	0	0	1,015,673	1,255,153
Transportation	2,783,680	3,327,971	0	0	2,783,680	3,327,971
Basic Utility Services	35,995	35,994	0	0	35,995	35,994
Economic Development	333,842	80,113	0	0	333,842	80,113
Interest and Fiscal Charges	256,704	531,283	0	0	256,704	531,283
Water	0	0	4,425,190	3,691,459	4,425,190	3,691,459
Sewer	0	0	2,852,114	2,658,127	2,852,114	2,658,127
Total Program Expenses	<u>12,695,795</u>	<u>13,190,778</u>	<u>7,277,304</u>	<u>6,349,586</u>	<u>19,973,099</u>	<u>19,540,364</u>
Excess of Revenues						
Over (Under) Expenses	(1,493,701)	(1,112,412)	(32,689)	759,459	(1,526,390)	(352,953)
Transfers	95,305	0	(95,305)	0	0	0
Change in Net Position	<u>(1,398,396)</u>	<u>(1,112,412)</u>	<u>(127,994)</u>	<u>759,459</u>	<u>(1,526,390)</u>	<u>(352,953)</u>
Net Position Beginning of Year	45,758,870	46,871,282	29,509,344	28,749,885	75,268,214	75,621,167
Net Position End of Year	<u>\$44,360,474</u>	<u>\$45,758,870</u>	<u>\$29,381,350</u>	<u>\$29,509,344</u>	<u>\$73,741,824</u>	<u>\$75,268,214</u>

City of Ravenna, Ohio
Management's Discussion and Analysis
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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 2014, annual tax receipts remain more than half of all governmental fund revenues at 58 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 decreased slightly in 2014, primarily due to a decrease in general department fees and memberships. The City continues to maintain its stance of actively pursuing all forms of grants available.



Major expense activities continue to be:

Security of persons and property (Police and Fire) is the City's largest cost center, accounting for 45 percent of all governmental activity expenses. The second largest cost component, transportation, finished at 22 percent of total governmental expenses. For 2014, 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 \$460,000 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 with the balance sheet and is accounted for using the modified accrual basis of accounting.

At the end of 2014, the City of Ravenna reported combined governmental fund balances of \$11,545,024. Of this amount, \$126,764 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 capital improvements capital projects fund. Expenditures exceeded revenues for the year in the general fund due mainly to a reduction in income taxes resulting from a smaller percentage of income tax revenues being allocated to the general fund. Within the general fund, safety forces accounts for the largest component of expenditures at nearly 71 percent. The revolving loan special revenue fund balance decreased from the prior year due to the write-off of uncollectible loans. The street construction, maintenance and repair special revenue fund had an increase in fund balance due to an increase in intergovernmental monies. The EMS special revenue fund had a decrease in fund balance due to a decrease in charges for services revenue as well as to a slight increase in operating expenditures in 2014. The capital improvements capital projects fund had a decrease in fund balance as a result of an increase in debt service expenditures related to capital projects.

General Fund Budgeting Highlights

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

City of Ravenna, Ohio
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The original 2014 general fund revenues were budgeted at \$5,600,668 and final budgeted revenues were \$5,597,425. The actual revenue received closely matched the original and final budgeted amounts. Final appropriations increased over original appropriations mostly due to departmental requests for additional operating items throughout the year. Actual expenditures were much lower than the final appropriations due to management keeping costs low while still providing the services the citizens expect.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2014 balances of capital assets as compared to 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$1,588,166	\$1,507,466	\$1,565,260	\$1,565,260	\$3,153,426	\$3,072,726
Construction in Progress	107,048	0	0	0	107,048	0
Buildings	2,044,070	2,061,153	3,798,607	3,939,265	5,842,677	6,000,418
Improvements other than Buildings	190,365	201,572	5,730,016	6,079,221	5,920,381	6,280,793
Furniture, Fixtures and Equipment	1,522,505	1,238,892	6,715,072	7,046,804	8,237,577	8,285,696
Vehicles	932,961	1,166,502	34,915	13,879	967,876	1,180,381
Infrastructure	33,577,193	34,692,060	12,245,255	12,466,216	45,822,448	47,158,276
Total Capital Assets	<u>\$39,962,308</u>	<u>\$40,867,645</u>	<u>\$30,089,125</u>	<u>\$31,110,645</u>	<u>\$70,051,433</u>	<u>\$71,978,290</u>

Total capital assets for governmental-type activities of the City of Ravenna decreased from 2013 due to annual depreciation outpacing additions. This decrease was partially offset by the purchase of various equipment and vehicles in 2014. Additional information concerning the City's capital assets can be found in Note 13 to the basic financial statements.

Long-term Obligations

At December 31, 2014, the City of Ravenna had governmental bonds, capital leases and compensated absences outstanding. The Library bonds account for \$3,964,725 or 41.4 percent of the total governmental activities. At December 31, 2014, the City had \$12,728,643 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.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$4,232,874	\$4,451,442	\$1,666,231	\$1,741,133	\$5,899,105	\$6,192,575
Special Assessment Bonds	0	51,200	0	0	0	51,200
Library Bonds	3,964,725	4,123,764	0	0	3,964,725	4,123,764
OPWC Loans	0	0	625,430	484,559	625,430	484,559
OWDA Loans	0	0	10,240,216	11,236,120	10,240,216	11,236,120
Capital Leases	609,257	630,472	31,466	9,939	640,723	640,411
Compensated Absences	772,517	820,494	165,300	171,221	937,817	991,715
Total	<u>\$9,579,373</u>	<u>\$10,077,372</u>	<u>\$12,728,643</u>	<u>\$13,642,972</u>	<u>\$22,308,016</u>	<u>\$23,720,344</u>

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The general obligation bonds consist of 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. 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, amounts to \$5,614,648.

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 17 to the basic financial statements.

Current Financial Related Activities

General Fund

2014 Overview

The City of Ravenna experienced its 6th consecutive year of cash basis deficits in 2014, as the year finished with \$6.2 million in expenditures against only \$5.7 in revenues. The deficits have taken their toll on the fund balance, as the year ended with a cash basis reserve of \$785,146. Including 2014, the cash basis losses for the past 6 years were as follows:

2009	(\$998,436)
2010	(520,364)
2011	(317,825)
2012	160,449 *
2013	(309,260)
2014	(575,358)

* The 2012 surplus illustrated above was the product of a one-time estate tax settlement. Notwithstanding this anomalous revenue, 2012 would have finished with a \$398,617 cash basis loss for the year.

General Fund Revenue History

The above cash basis losses are a product of the significant revenue declines that have been chronicled over the past several management discussion and analysis narratives. While income tax receipts continue to rebound, the City has not been able to overcome the loss of interest income and local government funds. Charts and graphs aside, the best possible illustration of this is to point out that in 2007, General fund revenue finished at \$6.9 million for the year and seven years later, in 2014, general fund revenue stood at \$5.7 million.

City of Ravenna, Ohio
Management's Discussion and Analysis
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The Budget Commission 2009 Plan

In response to the rapid decline in revenues, the City of Ravenna Budget Commission created a 3 phase Deficit Reduction plan to cut expenses, beginning in the fall of 2009. The following excerpt from the 2012 MD&A outlines the plan of action:

“THE BUDGET COMMISSION STRATEGY

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

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

The City adopted the Commission's recommended course of action, and all three phases were in place within 3 years. The employee healthcare changes were the last to be implemented, as a new round of collective bargaining negotiations began in 2013.

Reducing General Fund Costs

While the Deficit Reduction Plan provided the framework for the cost cutting initiative, the City continued to examine other areas where potential savings could be found, as the Commission monitored the City's financial position on a quarterly, if not monthly, basis. Below is a timeline summary of the cost cutting measures and expense reductions that were made over the past five years.

2009

- Reduced all controllable non-payroll operating expenses to 2008 levels

2010

- Maintained 2009 spending levels as baseline budget
- Effectuated Wage Freeze for all employees and elected officials
- Combined Engineering and Building Departments
- Positions eliminated – Health Sanitarian, Chief Building Official, Finance Payroll Clerk, Property Maintenance Officer, Building Inspectors, City Hall Custodian, Parks and Recreation Clerical Assistant, Lake Caretakers, and part-time Park & Recreation staff
- Replaced select positions above with Staffing Agency employees on an “as needed” basis.
- Reduced hours of Street Clerical position and sourced to Staffing Agency.
- Revised salary pro-ration methodology for Engineer, Assistant Engineer, Engineering Tech, Property Maintenance Officer, and Safety Compliance Officer
- Eliminated compensation and stipends for all Boards and Commissions with exception of Civil Service Commission and Board of Zoning Appeals
- Eliminated “Out of Class Pay” for non-union employees

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2011

- Prior year spending levels used as baseline budget
- Wage Freeze in place for all employees and elected officials

2012

- Prior year spending levels used as baseline budget
- Wage Freeze in place for all employees and elected officials
- Eliminated retiree life insurance benefit for non-union employees

2013

- Prior year spending levels used as baseline budget with exception of wage increase
- Modified Employee Healthcare Benefit Plan
 - ▶ Added two levels of Family and Single coverage as employee options
 - ▶ Increased annual deductibles and maximum out-of-pocket costs
 - ▶ Added flat fee for Emergency Room visits
 - ▶ Added clause making employee spouses with healthcare coverage available from their place of employment ineligible for primary City coverage.
 - ▶ Instituted employee contribution of 5 percent based on COBRA rates as the first year of 3 year of a “Step-Up” plan.
 - ▶ Offered “Opt-Out” incentive to employees with coverage available elsewhere

2014

- Prior year spending levels used as baseline budget with exception of wage increase
- Closed Health Department
- Positions eliminated – Health Department Registrar and Director of Community and Business Development
- Increased employee healthcare contribution to 10 percent
- Entered into agreement with Regional Income Tax Agency for tax administration beginning in 2015

There are several items listed above that impacted special revenue and proprietary funds, but were included to illustrate the City-wide scope of the cuts.

The cumulative effect of these cuts significantly reduced general fund operating costs, but in the end, they were not enough to offset the revenue loss. The personnel cuts and departmental changes were made predominately in administration and non-safety departments. By 2014, safety comprised 72.4 percent of total general fund costs vs. 63.2 percent in 2007.

City of Ravenna, Ohio
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The Effect of the 2013 Mediated Wage Settlement

In 2007, general fund spending finished at \$6,678,271. By 2014, total spending was cut to \$6,181,831 and would have been cut even further, had it not been for a mediated wage increase that went into effect in 2013. Last year's MD&A narrative provided the history of this wage increase.

"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 expenses. 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."

The wage increase was largely a collective bargaining response to the establishment of an employee healthcare contribution. Any cost savings that would have been provided by receiving healthcare contributions were not only eliminated, but ended up costing additional dollars. In 2014, the general fund wage increase, with roll-ups, cost over \$100,000, and healthcare contributions yielded roughly \$69,000. For 2015, another 3 percent wage increase will only further impact the deficit.

The City's third phase of the Deficit Reduction Initiative, the healthcare overhaul, actually ended up costing more in the end due to the three year wage increase. What appeared to be a strategy to help climb back to the break-even-point wound up adding to the General Fund's annual operating deficit after the wage increase was factored in. It must be mentioned, however, that the changes in plan design, implementation of spousal language, and the employee opt-out option may provide future savings that are not yet measurable in a two year sample.

2014 SPECIAL REVENUE AND ENTERPRISE FUND REVIEW

STREET FUND:

The Street Department maintained its history of operating in the black as 2014 finished with an annual surplus of \$40,328. 2014 marks the fifth 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 second straight annual operating loss in 2014. As noted in last year's narrative, declines in Program Fees and Athletic Club memberships have driven the operating deficits.

"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 & Recreation Fund operated at a \$37,462 loss in 2013. Much like the situation in the General Fund, the Parks & Recreation Fund will need an immediate plan of action in place to address the annual operating deficit that was fueled by revenue losses."

City of Ravenna, Ohio
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The trend continued in 2014 as the Parks and Recreation Fund operated at a loss of \$28,874. While operating expenses were cut the past several years, the department must now look at the labor component as a means of reducing costs. The revenue side of the equation must also be examined with regard to Recreation Program Fees and the R.A.C's current pricing structure, business model, and market position.

INCOME TAX:

2014 marked the final year of operation for the Income Tax department as the City joined the Regional Income Tax Agency to administer the collection of taxes starting in 2015. Over the past 20 years RITA fees were used as a benchmark to assure that in-house costs of administration were effective. The cost of maintaining a City-run department eventually eclipsed that of RITA, and with the retirement of the City's Tax Administrator slated for early 2015, it was decided to close up shop. The timing worked out well as the City was able to make the change-over through attrition and potentially realize estimated savings of \$40,000 over the next 3 years.

WATER FUND:

For 2014, the water fund used its annual operating surplus and a portion of its cash reserve balance to fund capital projects, as upgrades to an aging water treatment plant along with regulatory requirements continue to place a large demand on the fund. The water fund turned a \$1,132,904 operating surplus in 2014, however it was quickly absorbed by capital projects and year end capital encumbrances. As a result of this, the City continues to monitor and modify the water fund's 20 year capital plan as reserves for future projects and purchases are being impacted by more immediate needs.

SEWER FUND:

Like the water fund, the sewer fund is balancing current and future needs with regard to the impact of capital reserves on annual operating surpluses and available fund balance. The sewer fund spent into the fund balance as capital expenditures came in at \$471,417 for the year vs. \$364,000 in 2013. The big ticket item in sewer for 2014 was the rebuild on the final clarifiers at the Wastewater Treatment Plant.

A Look to 2015

Entering 2015, the City is faced with another budgeted general fund operating deficit for the year. The net of nearly \$500,000 in cost reductions made over the last five years could not keep pace with loss of over \$1,200,000 in revenue during that same time period.

Based on budget projections, 2015 will be the last year the general fund cash reserve can cover an operating loss comparable to the \$575,358 that was incurred in 2014. The City is now faced with an the need to either create new sources of revenue, begin the process of cutting back city services, or finding a combination of the two that will restore the general fund's annual operating position to the break-even point and beyond.

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, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,866,988	\$7,034,483	\$12,901,471
Materials and Supplies Inventory	92,286	223,496	315,782
Accrued Interest Receivable	109	0	109
Accounts Receivable	1,075,035	859,419	1,934,454
Internal Balances	52,498	(52,498)	0
Intergovernmental Receivable	671,057	3,882,467	4,553,524
Prepaid Items	62,976	35,093	98,069
Income Taxes Receivable	1,233,508	223,807	1,457,315
Property Taxes Receivable	556,663	0	556,663
Special Assessments Receivable	34,958	0	34,958
Loans Receivable	5,947,744	0	5,947,744
Nondepreciable Capital Assets	1,695,214	1,565,260	3,260,474
Depreciable Capital Assets, Net	38,267,094	28,523,865	66,790,959
<i>Total Assets</i>	<u>55,556,130</u>	<u>42,295,392</u>	<u>97,851,522</u>
Deferred Outflow of Resources			
Deferred Charge on Refunding	131,099	0	131,099
Liabilities			
Accounts Payable	140,500	49,102	189,602
Accrued Wages	147,476	61,714	209,190
Intergovernmental Payable	190,732	71,159	261,891
Accrued Interest Payable	25,314	3,424	28,738
Notes Payable	552,000	0	552,000
Claims Payable	155,948	0	155,948
Long-Term Liabilities:			
Due Within One Year	975,577	1,201,645	2,177,222
Due In More Than One Year	8,603,796	11,526,998	20,130,794
<i>Total Liabilities</i>	<u>10,791,343</u>	<u>12,914,042</u>	<u>23,705,385</u>
Deferred Inflow of Resources			
Property Taxes	535,412	0	535,412
Net Position			
Net Investment in Capital Assets	35,297,246	17,582,479	52,879,725
Restricted for:			
Debt Service	2,682	0	2,682
Revolving Loans	7,425,112	0	7,425,112
Street Construction, Maintenance and Repair	1,472,472	0	1,472,472
State Highway	70,380	0	70,380
Other Purposes	85,068	0	85,068
Unrestricted	7,514	11,798,871	11,806,385
<i>Total Net Position</i>	<u>\$44,360,474</u>	<u>\$29,381,350</u>	<u>\$73,741,824</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,621,645	\$160,983	\$0	\$79,968
Security of Persons and Property:				
Police	3,351,966	246,444	4,670	0
Fire	2,292,436	689,403	5,250	0
Leisure Time Activities	847,107	349,205	0	97,946
Public Health and Welfare	156,747	10,284	0	0
Community Environment	1,015,673	245,424	149,021	0
Transportation	2,783,680	2,092	913,322	0
Basic Utility Services	35,995	0	0	0
Economic Development	333,842	4,275	248,540	0
Interest and Fiscal Charges	256,704	0	0	0
<i>Total Governmental Activities</i>	<u>12,695,795</u>	<u>1,708,110</u>	<u>1,320,803</u>	<u>177,914</u>
Business-Type Activities:				
Water	4,425,190	2,839,722	0	308,800
Sewer	2,852,114	2,681,804	0	148,424
<i>Total Business-Type Activities</i>	<u>7,277,304</u>	<u>5,521,526</u>	<u>0</u>	<u>457,224</u>
<i>Total</i>	<u>\$19,973,099</u>	<u>\$7,229,636</u>	<u>\$1,320,803</u>	<u>\$635,138</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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

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
(\$1,380,694)	\$0	(\$1,380,694)
(3,100,852)	0	(3,100,852)
(1,597,783)	0	(1,597,783)
(399,956)	0	(399,956)
(146,463)	0	(146,463)
(621,228)	0	(621,228)
(1,868,266)	0	(1,868,266)
(35,995)	0	(35,995)
(81,027)	0	(81,027)
(256,704)	0	(256,704)
(9,488,968)	0	(9,488,968)
0	(1,276,668)	(1,276,668)
0	(21,886)	(21,886)
0	(1,298,554)	(1,298,554)
(9,488,968)	(1,298,554)	(10,787,522)
520,131	0	520,131
3,991,047	0	3,991,047
562,402	0	562,402
382,586	0	382,586
306,070	0	306,070
1,235,111	0	1,235,111
0	956,465	956,465
0	218,040	218,040
793,868	0	793,868
2,000	0	2,000
114,650	0	114,650
87,402	91,360	178,762
7,995,267	1,265,865	9,261,132
95,305	(95,305)	0
8,090,572	1,170,560	9,261,132
(1,398,396)	(127,994)	(1,526,390)
45,758,870	29,509,344	75,268,214
\$44,360,474	\$29,381,350	\$73,741,824

City of Ravenna, Ohio
Balance Sheet
Governmental Funds
December 31, 2014

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$988,328	\$1,473,093	\$1,162,596	\$353	\$1,323,963	\$915,168	\$5,863,501
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	3,487	0	0	0	0	0	3,487
Materials and Supplies Inventory	65,279	0	24,079	0	0	2,928	92,286
Accounts Receivable	30,342	4,275	76	1,038,632	137	1,573	1,075,035
Accrued Interest Receivable	109	0	0	0	0	0	109
Interfund Receivable	100,171	0	0	0	0	0	100,171
Intergovernmental Receivable	249,180	0	302,815	5,250	1,775	112,037	671,057
Prepaid Items	45,036	0	7,067	0	2,547	8,326	62,976
Income Taxes Receivable	766,437	0	107,113	58,293	192,366	109,299	1,233,508
Property Taxes Receivable	556,663	0	0	0	0	0	556,663
Special Assessments Receivable	30,748	0	0	0	0	4,210	34,958
Loans Receivable	0	5,947,744	0	0	0	0	5,947,744
<i>Total Assets</i>	<u>\$2,835,780</u>	<u>\$7,425,112</u>	<u>\$1,603,746</u>	<u>\$1,102,528</u>	<u>\$1,520,788</u>	<u>\$1,153,541</u>	<u>\$15,641,495</u>
Liabilities							
Accounts Payable	\$24,589	\$0	\$14,559	\$0	\$65,762	\$35,590	\$140,500
Accrued Wages	119,867	0	16,304	0	409	10,896	147,476
Intergovernmental Payable	159,040	0	18,092	0	387	13,213	190,732
Interfund Payable	83,568	0	12,850	5,250	0	101,953	203,621
Accrued Interest Payable	0	0	0	0	1,059	0	1,059
Notes Payable	0	0	0	0	552,000	0	552,000
<i>Total Liabilities</i>	<u>387,064</u>	<u>0</u>	<u>61,805</u>	<u>5,250</u>	<u>619,617</u>	<u>161,652</u>	<u>1,235,388</u>
Deferred Inflows of Resources							
Property Taxes	535,412	0	0	0	0	0	535,412
Unavailable Revenue	741,721	0	234,191	1,023,243	138,098	188,418	2,325,671
<i>Total Deferred Inflows of Resources</i>	<u>1,277,133</u>	<u>0</u>	<u>234,191</u>	<u>1,023,243</u>	<u>138,098</u>	<u>188,418</u>	<u>2,861,083</u>
Fund Balances							
Nonspendable	113,802	0	31,146	0	2,547	11,254	158,749
Restricted	0	7,425,112	1,276,604	0	0	88,984	8,790,700
Committed	0	0	0	74,035	760,526	745,999	1,580,560
Assigned	888,251	0	0	0	0	0	888,251
Unassigned (Deficit)	169,530	0	0	0	0	(42,766)	126,764
<i>Total Fund Balances</i>	<u>1,171,583</u>	<u>7,425,112</u>	<u>1,307,750</u>	<u>74,035</u>	<u>763,073</u>	<u>803,471</u>	<u>11,545,024</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$2,835,780</u>	<u>\$7,425,112</u>	<u>\$1,603,746</u>	<u>\$1,102,528</u>	<u>\$1,520,788</u>	<u>\$1,153,541</u>	<u>\$15,641,495</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, 2014*

Total Governmental Fund Balances	\$11,545,024
 <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.	39,962,308
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	21,251
Income Taxes	885,525
Intergovernmental	407,792
Charges for Services	977,673
Special Assessments	33,430
Total	2,325,671
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(24,255)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(4,232,874)
Library Bonds	(3,964,725)
Capital Leases Payable	(609,257)
Compensated Absences	(772,517)
Deferred Charge on Refunding	131,099
Total	(9,448,274)
<i>Net Position of Governmental Activities</i>	\$44,360,474

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, 2014

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$553,038	\$0	\$0	\$0	\$0	\$0	\$553,038
Income Taxes	3,753,549	0	527,335	286,986	962,493	543,014	6,073,377
Intergovernmental	508,464	248,540	881,149	5,250	79,968	642,983	2,366,354
Interest	71,615	43,035	0	0	0	0	114,650
Fees, Licenses and Permits	449,293	0	0	0	0	0	449,293
Fines and Forfeitures	15,035	0	0	0	0	1,278	16,313
Rentals	5,576	0	0	0	32,310	10,365	48,251
Charges for Services	0	4,275	2,092	445,928	106	579,360	1,031,761
Contributions and Donations	2,000	0	0	0	0	1,667	3,667
Special Assessments	0	0	0	0	0	45,786	45,786
Other	15,664	3,813	34,275	3,442	23,951	6,257	87,402
<i>Total Revenues</i>	<u>5,374,234</u>	<u>299,663</u>	<u>1,444,851</u>	<u>741,606</u>	<u>1,098,828</u>	<u>1,830,710</u>	<u>10,789,892</u>
Expenditures							
Current:							
General Government	1,591,367	0	0	0	0	1,888	1,593,255
Security of Persons and Property:							
Police	3,275,230	0	0	0	0	8,140	3,283,370
Fire	1,232,166	0	0	768,325	0	0	2,000,491
Leisure Time Activities	0	0	0	0	0	755,526	755,526
Public Health and Welfare	138,207	0	0	0	0	0	138,207
Community Environment	65,873	0	0	0	0	697,015	762,888
Transportation	0	0	1,418,223	0	0	30,629	1,448,852
Economic Development	0	333,842	0	0	0	0	333,842
Capital Outlay	0	0	0	0	992,945	272,355	1,265,300
Debt Service:							
Principal Retirement	49,958	0	1,057	0	224,250	262,951	538,216
Interest and Fiscal Charges	1,221	0	87	0	100,151	158,128	259,587
<i>Total Expenditures</i>	<u>6,354,022</u>	<u>333,842</u>	<u>1,419,367</u>	<u>768,325</u>	<u>1,317,346</u>	<u>2,186,632</u>	<u>12,379,534</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(979,788)</u>	<u>(34,179)</u>	<u>25,484</u>	<u>(26,719)</u>	<u>(218,518)</u>	<u>(355,922)</u>	<u>(1,589,642)</u>
Other Financing Sources (Uses)							
Inception of Capital Lease	0	0	0	0	89,382	6,122	95,504
Transfers In	0	0	0	0	95,305	122,052	217,357
Transfers Out	0	0	0	0	(85,490)	(36,562)	(122,052)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>99,197</u>	<u>91,612</u>	<u>190,809</u>
<i>Net Change in Fund Balances</i>	<u>(979,788)</u>	<u>(34,179)</u>	<u>25,484</u>	<u>(26,719)</u>	<u>(119,321)</u>	<u>(264,310)</u>	<u>(1,398,833)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,151,371</u>	<u>7,459,291</u>	<u>1,282,266</u>	<u>100,754</u>	<u>882,394</u>	<u>1,067,781</u>	<u>12,943,857</u>
<i>Fund Balances End of Year</i>	<u>\$1,171,583</u>	<u>\$7,425,112</u>	<u>\$1,307,750</u>	<u>\$74,035</u>	<u>\$763,073</u>	<u>\$803,471</u>	<u>\$11,545,024</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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$1,398,833)

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

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

Current Year Additions	\$519,759	
Current Year Depreciation	<u>(1,416,515)</u>	
 Total		 (896,756)

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. (8,581)

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

Delinquent Property Taxes	(32,907)	
Income Taxes	403,839	
Intergovernmental	(75,436)	
Charges for Services	151,776	
Special Assessments	<u>(35,070)</u>	
 Total		 412,202

The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net position. (95,504)

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. 538,216

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	2,169	
Accrued Interest on Capital Lease	490	
Amortization of Discount	(1,450)	
Amortization of Premium	8,760	
Amortization of Deferred Charge on Refunding	<u>(7,086)</u>	
 Total		 2,883

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. 47,977

Change in Net Position of Governmental Activities (\$1,398,396)

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$506,950	\$506,950	\$553,038	\$46,088
Income Taxes	3,873,990	3,979,190	4,011,386	32,196
Intergovernmental	474,770	508,628	538,537	29,909
Interest	104,100	6,600	8,333	1,733
Fees, Licenses and Permits	539,497	513,998	440,583	(73,415)
Fines and Forfeitures	47,516	23,152	15,035	(8,117)
Rentals	8,000	8,000	5,576	(2,424)
Contributions and Donations	0	2,000	2,000	0
Other	45,845	48,907	25,024	(23,883)
<i>Total Revenues</i>	<u>5,600,668</u>	<u>5,597,425</u>	<u>5,599,512</u>	<u>2,087</u>
Expenditures				
Current:				
General Government	1,717,705	1,801,362	1,634,119	167,243
Security of Persons and Property:				
Police	3,463,785	3,501,485	3,281,894	219,591
Fire	1,190,405	1,235,544	1,218,412	17,132
Public Health and Welfare	154,758	147,193	141,133	6,060
Community Environment	78,169	80,910	77,899	3,011
<i>Total Expenditures</i>	<u>6,604,822</u>	<u>6,766,494</u>	<u>6,353,457</u>	<u>413,037</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,004,154)</u>	<u>(1,169,069)</u>	<u>(753,945)</u>	<u>415,124</u>
Other Financing Sources (Uses)				
Advances In	265,483	321,874	231,073	(90,801)
Advances Out	(82,341)	(80,854)	(71,565)	9,289
<i>Total Other Financing Sources (Uses)</i>	<u>183,142</u>	<u>241,020</u>	<u>159,508</u>	<u>(81,512)</u>
<i>Net Change in Fund Balance</i>	(821,012)	(928,049)	(594,437)	333,612
<i>Fund Balance Beginning of Year</i>	1,660,730	1,660,730	1,660,730	0
Prior Year Encumbrances Appropriated	7,529	7,529	7,529	0
<i>Fund Balance End of Year</i>	<u>\$847,247</u>	<u>\$740,210</u>	<u>\$1,073,822</u>	<u>\$333,612</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$55,520	\$55,520	\$43,035	(\$12,485)
Other	172,800	172,800	638,910	466,110
<i>Total Revenues</i>	228,320	228,320	681,945	453,625
Expenditures				
Current:				
Economic Development	117,176	382,611	311,389	71,222
<i>Net Change in Fund Balance</i>	111,144	(154,291)	370,556	524,847
<i>Fund Balance Beginning of Year</i>	930,045	930,045	930,045	0
Prior Year Encumbrances Appropriated	8,792	8,792	8,792	0
<i>Fund Balance End of Year</i>	<u>\$1,049,981</u>	<u>\$784,546</u>	<u>\$1,309,393</u>	<u>\$524,847</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, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$541,328	\$556,028	\$560,526	\$4,498
Intergovernmental	821,000	821,000	881,028	60,028
Charges for Services	1,075	1,075	2,326	1,251
Other	5,176	4,588	5,258	670
<i>Total Revenues</i>	1,368,579	1,382,691	1,449,138	66,447
Expenditures				
Current:				
Transportation	1,526,858	1,544,555	1,408,810	135,745
<i>Net Change in Fund Balance</i>	(158,279)	(161,864)	40,328	202,192
<i>Fund Balance Beginning of Year</i>	1,110,343	1,110,343	1,110,343	0
Prior Year Encumbrances Appropriated	237	237	237	0
<i>Fund Balance End of Year</i>	\$952,301	\$948,716	\$1,150,908	\$202,192

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$294,600	\$302,600	\$305,049	\$2,449
Intergovernmental	5,250	10,500	5,250	(5,250)
Charges for Services	530,000	540,000	452,473	(87,527)
Other	13,815	3,815	3,442	(373)
<i>Total Revenues</i>	843,665	856,915	766,214	(90,701)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	846,129	846,129	768,678	77,451
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,464)	10,786	(2,464)	(13,250)
Other Financing Sources (Uses)				
Advances In	2,464	7,714	7,714	0
Advances Out	0	(10,500)	(5,250)	5,250
<i>Total Other Financing Sources (Uses)</i>	2,464	(2,786)	2,464	5,250
<i>Net Change in Fund Balance</i>	0	8,000	0	(8,000)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$8,000	\$0	(\$8,000)

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$4,798,065	\$2,236,418	\$7,034,483	\$0
Materials and Supplies Inventory	206,316	17,180	223,496	0
Accounts Receivable	455,871	403,548	859,419	0
Intergovernmental Receivable	564	3,881,903	3,882,467	0
Prepaid Items	23,654	11,439	35,093	0
Income Taxes Receivable	182,164	41,643	223,807	0
Interfund Receivable	0	0	0	155,948
<i>Total Current Assets</i>	<u>5,666,634</u>	<u>6,592,131</u>	<u>12,258,765</u>	<u>155,948</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,282,800	282,460	1,565,260	0
Depreciable Capital Assets, Net	16,162,481	12,361,384	28,523,865	0
<i>Total Noncurrent Assets</i>	<u>17,445,281</u>	<u>12,643,844</u>	<u>30,089,125</u>	<u>0</u>
<i>Total Assets</i>	<u>23,111,915</u>	<u>19,235,975</u>	<u>42,347,890</u>	<u>155,948</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	44,445	4,657	49,102	0
Accrued Wages	33,465	28,249	61,714	0
Intergovernmental Payable	38,683	32,476	71,159	0
Interfund Payable	29,957	22,541	52,498	0
Accrued Interest Payable	2,283	1,141	3,424	0
Compensated Absences Payable	36,536	35,291	71,827	0
Capital Leases Payable	5,552	3,544	9,096	0
OPWC Loans Payable	41,932	0	41,932	0
OWDA Loans Payable	100,472	903,318	1,003,790	0
General Obligation Bonds Payable	50,000	25,000	75,000	0
Claims Payable	0	0	0	155,948
<i>Total Current Liabilities</i>	<u>383,325</u>	<u>1,056,217</u>	<u>1,439,542</u>	<u>155,948</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	63,758	29,715	93,473	0
Capital Leases Payable	15,085	7,285	22,370	0
OPWC Loans Payable	583,498	0	583,498	0
OWDA Loans Payable	940,959	8,295,467	9,236,426	0
General Obligation Bonds Payable	1,060,820	530,411	1,591,231	0
<i>Total Long-Term Liabilities</i>	<u>2,664,120</u>	<u>8,862,878</u>	<u>11,526,998</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,047,445</u>	<u>9,919,095</u>	<u>12,966,540</u>	<u>155,948</u>
Net Position				
Net Investment in Capital Assets	14,684,420	2,898,059	17,582,479	0
Unrestricted	5,380,050	6,418,821	11,798,871	0
<i>Total Net Position</i>	<u>\$20,064,470</u>	<u>\$9,316,880</u>	<u>\$29,381,350</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, 2014*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$2,807,223	\$2,681,804	\$5,489,027	\$1,836,969
Fees, Licenses and Permits	32,499	0	32,499	0
Other	43,538	47,822	91,360	0
<i>Total Operating Revenues</i>	<u>2,883,260</u>	<u>2,729,626</u>	<u>5,612,886</u>	<u>1,836,969</u>
Operating Expenses				
Personal Services	1,664,496	1,326,905	2,991,401	0
Materials and Supplies	491,100	181,382	672,482	0
Contractual Services	1,692,963	693,186	2,386,149	475,158
Depreciation	513,891	591,936	1,105,827	0
Claims	0	0	0	1,361,811
<i>Total Operating Expenses</i>	<u>4,362,450</u>	<u>2,793,409</u>	<u>7,155,859</u>	<u>1,836,969</u>
<i>Operating Income (Loss)</i>	<u>(1,479,190)</u>	<u>(63,783)</u>	<u>(1,542,973)</u>	<u>0</u>
Non-Operating Revenues (Expenses)				
Municipal Income Taxes	956,465	218,040	1,174,505	0
Interest and Fiscal Charges	(62,740)	(58,705)	(121,445)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>893,725</u>	<u>159,335</u>	<u>1,053,060</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions and Transfers</i>	<u>(585,465)</u>	<u>95,552</u>	<u>(489,913)</u>	<u>0</u>
Capital Contributions	308,800	148,424	457,224	0
Transfers Out	(73,056)	(22,249)	(95,305)	0
<i>Change in Net Position</i>	<u>(349,721)</u>	<u>221,727</u>	<u>(127,994)</u>	<u>0</u>
<i>Net Position Beginning of Year</i>	<u>20,414,191</u>	<u>9,095,153</u>	<u>29,509,344</u>	<u>0</u>
<i>Net Position End of Year</i>	<u>\$20,064,470</u>	<u>\$9,316,880</u>	<u>\$29,381,350</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, 2014

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,736,966	\$2,654,109	\$5,391,075	\$0
Cash Received from Interfund Services Provided	0	0	0	1,711,935
Other Operating Revenues	75,971	47,748	123,719	0
Cash Payments to Suppliers for Materials and Supplies	(490,142)	(184,396)	(674,538)	0
Cash Payments for Employee Services and Benefits	(1,636,703)	(1,304,931)	(2,941,634)	0
Cash Payments for Contractual Services	(1,693,570)	(699,733)	(2,393,303)	(475,158)
Cash Payments for Claims	0	0	0	(1,236,777)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(1,007,478)	512,797	(494,681)	0
Cash Flows from Noncapital Financing Activities				
Municipal Income Taxes	953,276	217,347	1,170,623	0
Transfers Out	(73,056)	(22,249)	(95,305)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	880,220	195,098	1,075,318	0
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(9,700)	(47,670)	(57,370)	0
Capital Contributions	308,800	460,761	769,561	0
OPWC Loans Issued	181,007	0	181,007	0
Principal Paid on General Obligation Bonds	(49,000)	(24,500)	(73,500)	0
Principal Paid on OWDA Loans	(97,082)	(898,822)	(995,904)	0
Principal Paid on OPWC Loans	(40,136)	0	(40,136)	0
Principal Paid on Capital Leases	(3,067)	(2,343)	(5,410)	0
Interest Paid on General Obligation Bonds	(28,373)	(14,186)	(42,559)	0
Interest Paid on OWDA Loans	(38,593)	(48,924)	(87,517)	0
Interest Paid on Capital Leases	(161)	(150)	(311)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	223,695	(575,834)	(352,139)	0
<i>Net Increase (Decrease) in Cash and Cash Equivalent</i>	96,437	132,061	228,498	0
<i>Cash and Cash Equivalents Beginning of Year</i>	4,701,628	2,104,357	6,805,985	0
<i>Cash and Cash Equivalents End of Year</i>	\$4,798,065	\$2,236,418	\$7,034,483	\$0

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, 2014

	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)	(\$1,479,190)	(\$63,783)	(\$1,542,973)	\$0
Adjustments:				
Depreciation	513,891	591,936	1,105,827	0
(Increase) Decrease in Assets:				
Accounts Receivable	(70,257)	(46,133)	(116,390)	0
Intergovernmental Receivable	(66)	18,364	18,298	0
Materials and Supplies Inventory	(22,304)	(3,782)	(26,086)	0
Interfund Receivable	0	0	0	(125,034)
Prepaid Items	(1,066)	(1,232)	(2,298)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	23,061	(5,141)	17,920	0
Accrued Wages	4,859	3,957	8,816	0
Compensated Absences Payable	(3,442)	(2,479)	(5,921)	0
Interfund Payable	24,309	18,065	42,374	0
Intergovernmental Payable	2,727	3,025	5,752	0
Claims Payable	0	0	0	125,034
<i>Total Adjustments</i>	471,712	576,580	1,048,292	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$1,007,478)	\$512,797	(\$494,681)	\$0

See accompanying notes to the basic financial statements

During 2014, the City entered into a capital lease for phone equipment in the amounts of \$18,366 in the Water enterprise fund and \$8,571 in the Sewer enterprise fund. The liability for the capital lease was recorded on an accrual basis

City of Ravenna, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$58,113</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$58,113</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, 2014

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, firefighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

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

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

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

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

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, 2014

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.

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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.

Capital Improvements Fund The capital improvements fund accounts for and reports City income tax revenues approved by the voters and restricted for paying the costs of capital improvement projects.

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.

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and 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 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred 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 represent 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

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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.

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, 2014, but which were levied to finance 2015 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, repurchase agreements and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$71,615 which includes \$62,801 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
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For the Year Ended December 31, 2014

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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 received 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. 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
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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 and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

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

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.

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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.

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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 2015 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.

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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.

City of Ravenna, Ohio
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For the Year Ended December 31, 2014

Note 3 – 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	Capital Improvements	Other Governmental Funds	Total
<u>Nonspendable:</u>							
Inventory	\$65,279	\$0	\$24,079	\$0	\$0	\$2,928	\$92,286
Prepays	45,036	0	7,067	0	2,547	8,326	62,976
Unclaimed Monies	3,487	0	0	0	0	0	3,487
<i>Total Nonspendable</i>	<u>113,802</u>	<u>0</u>	<u>31,146</u>	<u>0</u>	<u>2,547</u>	<u>11,254</u>	<u>158,749</u>
<u>Restricted for:</u>							
Revolving Loans	0	7,425,112	0	0	0	0	7,425,112
Street Maintenance	0	0	1,276,604	0	0	60,527	1,337,131
Law Enforcement	0	0	0	0	0	28,065	28,065
Community Development	0	0	0	0	0	392	392
<i>Total Restricted</i>	<u>0</u>	<u>7,425,112</u>	<u>1,276,604</u>	<u>0</u>	<u>0</u>	<u>88,984</u>	<u>8,790,700</u>
<u>Committed to:</u>							
Ambulance Service	0	0	0	74,035	0	0	74,035
Recreation	0	0	0	0	0	133,091	133,091
Recycling	0	0	0	0	0	248,710	248,710
Capital Improvements	0	0	0	0	760,526	364,198	1,124,724
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74,035</u>	<u>760,526</u>	<u>745,999</u>	<u>1,580,560</u>
<u>Assigned to:</u>							
Purchases on Order:							
Purchased Services	35,586	0	0	0	0	0	35,586
2015 Appropriations	852,665	0	0	0	0	0	852,665
<i>Total Assigned</i>	<u>888,251</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>888,251</u>
Unassigned (Deficit)	169,530	0	0	0	0	(42,766)	126,764
Total Fund Balances	<u><u>\$1,171,583</u></u>	<u><u>\$7,425,112</u></u>	<u><u>\$1,307,750</u></u>	<u><u>\$74,035</u></u>	<u><u>\$763,073</u></u>	<u><u>\$803,471</u></u>	<u><u>\$11,545,024</u></u>

Note 4 - 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).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned fund balance (GAAP).

City of Ravenna, Ohio
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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	(\$979,788)	(\$34,179)	\$25,484	(\$26,719)
Net Adjustment for Revenue Accruals	288,853	(252,815)	4,287	24,608
Beginning Fair Value Adjustment for Investments	(186,721)	0	0	0
Ending Fair Value Adjustment for Investments	123,146	0	0	0
Advances In	231,073	0	0	7,714
Loan Payments Received	0	635,097	0	0
Net Adjustment for Expenditures Accruals	41,704	248,540	22,245	0
Advances Out	(71,565)	0	0	(5,250)
Loans Issued	0	(310,387)	0	0
Loans Written Off	0	248,000	0	0
Encumbrances	(41,139)	(163,700)	(11,688)	(353)
Budget Basis	<u>(\$594,437)</u>	<u>\$370,556</u>	<u>\$40,328</u>	<u>\$0</u>

Note 5 – Fund Deficits

The deficit in the LGIF grant special revenue fund of \$16,823 and the Brownfield Action Plan grant special revenue fund of \$25,943 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.

Note 6 - Deposits and Investments

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

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.

City of Ravenna, Ohio
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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);
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.

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.

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Notes to the Basic Financial Statements
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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, \$613,471 of the City's bank balance of \$4,621,275 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, 2014, the City had the following investments:

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Repurchase Agreements backed by Federal National Mortgage Association Notes	\$3,595,000	Less than 30 days	AAA	42.41 %
Federal Home Loan Bank Notes	900,729	Less than three years	AAA	10.63
Federal Home Loan Mortgage Notes	949,639	Less than three years	AAA	11.20
Federal Farm Credit Bank Bonds	620,604	Less than three years	AAA	7.32
Federal National Mortgage Association Notes	1,931,217	Less than three years	AAA	22.78
STAR Ohio	479,051	Average 50.1 days	NA	5.65
Total Portfolio	\$8,476,240			

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. Repurchase agreements are limited to 30 days and the market value of the underlying securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

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, 2014

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 7 - Receivables

Receivables at December 31, 2014 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 \$5,312,647.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014 on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes become a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$113,876,140
Other Real Estate	57,927,360
Tangible Personal Property	
Public Utility	4,242,890
Total Assessed Values	<u>\$176,046,390</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, 2014 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 2014 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, 2014, follows:

Governmental Activities	Amounts
Local Government	\$160,760
Gasoline and Excise Tax	108,996
Cents per Gallon Tax	54,978
Permissive Tax	52,926
Brownfield Action Plan Grant	50,000
Ravenna City School District	40,480
Homestead and Rollback	34,042
Motor Vehicle License Tax	32,732
LGIF Grant	27,000
Brimfield Township	26,725
Estate Tax	26,032
Miscellaneous	18,786
ODOT	13,019
Certified Local Government Grant	12,500
SAFE Grants	6,831
Emergency Medical Services Grant	5,250
Total	<u>\$671,057</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The business-type activities intergovernmental receivable as of December 31, 2014, consists of the following:

Business-type Activities	Amounts
Portage County	\$3,881,733
Miscellaneous	734
Total	\$3,882,467

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, 2014 is \$3,831,452. 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, 52.60 percent of the annual income tax proceeds were credited to the general fund, 7.35 percent to street construction, maintenance and repair and 2.85 percent to the sewer enterprise fund. By voted levy, 5.00 percent of income tax proceeds were credited to recreation levy, 4.00 percent to emergency management services special revenue funds, 2.50 percent to park improvement, 13.20 percent to capital improvements capital projects fund and 12.50 percent to the water enterprise fund.

Note 8 - 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 2014, the City contracted with two companies for various types of insurance as follows:

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

City of Ravenna, Ohio
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For the Year Ended December 31, 2014

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

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

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

The claims liability of \$155,948 reported in the internal service fund at December 31, 2014, 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 2013 and 2014 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2013	\$130,082	\$1,106,205	\$1,205,373	\$30,914
2014	30,914	1,361,811	1,236,777	155,948

Note 9 – Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2014, consist of an interfund receivable/payable between the general fund, emergency medical service, LGIF grant, certified local government grant, Brownfield Action Plan grant, and SAFE grant 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 exists 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	\$83,568	\$83,568
Street Construction, Maintenance and Repair	0	12,850	12,850
EMS	5,250	0	5,250
Other Governmental Funds	94,921	7,032	101,953
Enterprise Funds			
Water	0	29,957	29,957
Sewer	0	22,541	22,541
Grand Total	\$100,171	\$155,948	\$256,119

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Interfund Transfers

<u>Transfer To</u>	<u>Transfer From</u>				
	<u>Governmental Funds</u>		<u>Enterprise Funds</u>		
	Capital Improvements	Other Governmental Funds	Water	Sewer	Total
Governmental Funds					
Major Fund:					
Capital Improvements	\$0	\$0	\$73,056	\$22,249	\$95,305
Other Governmental Funds:					
OBWC Safety Grant	48,073	0	0	0	48,073
General Obligation Bond Retirement	12,188	36,562	0	0	48,750
Special Assessment Bond Retirement	25,229	0	0	0	25,229
Total	\$85,490	\$36,562	\$73,056	\$22,249	\$217,357

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 provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

Note 10 - 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, 2014.

Litigation

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

Note 11 – Compensated Absences

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

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 12 - Capital Leases

During 2014, 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 phone equipment. 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, 2014 can be found in the table below. The items related to the copy machines, mailing system and phone equipment leases have not been capitalized.

<i>Asset:</i>	<u>Governmental Activities</u>
Buildings	\$600,000
Vehicles	261,756
Historical Cost	<u>861,756</u>
Less: Accumulated Depreciation	<u>(185,683)</u>
Total Book Value as of December 31, 2014	<u><u>\$676,073</u></u>

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2015	\$138,660	\$10,030
2016	122,500	6,749
2017	100,167	5,815
2018	56,618	5,815
2019	54,900	5,330
2020-2024	<u>153,000</u>	<u>0</u>
Total Minimum Lease Payments	625,845	33,739
Less: Amount Representing Interest	<u>(16,588)</u>	<u>(2,273)</u>
Present Value of Minimum Lease	<u><u>\$609,257</u></u>	<u><u>\$31,466</u></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, 2014

Note 13 - Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Additions	Reductions	Balance 12/31/14
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,507,466	\$80,700	\$0	\$1,588,166
Construction in progress	0	107,048	0	107,048
Total capital assets not being depreciated	<u>1,507,466</u>	<u>187,748</u>	<u>0</u>	<u>1,695,214</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	3,122,201	302,111	0	3,424,312
Vehicles	3,662,753	29,900	(158,972)	3,533,681
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	4,594,301	0	(37,500)	4,556,801
Total capital assets being depreciated	<u>75,144,657</u>	<u>332,011</u>	<u>(196,472)</u>	<u>75,280,196</u>
Accumulated depreciation				
Buildings	(3,000,825)	(17,083)	0	(3,017,908)
Improvements other than Buildings	(363,603)	(11,207)	0	(374,810)
Furniture, Fixtures and Equipment	(1,883,309)	(18,498)	0	(1,901,807)
Vehicles	(2,496,251)	(260,317)	155,848	(2,600,720)
Infrastructure:				
Streets	(20,404,056)	(711,359)	0	(21,115,415)
Storm Drains	(2,553,910)	(35,995)	0	(2,589,905)
Sidewalks	(3,910,595)	(217,090)	0	(4,127,685)
Fire Hydrants	(696,644)	(20,474)	0	(717,118)
Traffic Lights	(475,285)	(124,492)	32,043	(567,734)
Total accumulated depreciation	<u>(35,784,478)</u>	<u>(1,416,515) *</u>	<u>187,891</u>	<u>(37,013,102)</u>
Capital assets being depreciated, net	<u>39,360,179</u>	<u>(1,084,504)</u>	<u>(8,581)</u>	<u>38,267,094</u>
Governmental activities capital assets, net	<u>\$40,867,645</u>	<u>(\$896,756)</u>	<u>(\$8,581)</u>	<u>\$39,962,308</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

* Depreciation expense was charged to governmental activities as follows:

General Government	\$13,721
Security of Persons and Property:	
Police	53,971
Fire	75,152
Leisure Time Activities	27,966
Public Health and Welfare	20,474
Community Environment	252,785
Transportation	936,451
Basic Utility Services	35,995
Total	\$1,416,515

	Balance 12/31/13	Additions	Reductions	Balance 12/31/14
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,565,260	\$0	\$0	\$1,565,260
Capital assets being depreciated				
Buildings	7,750,724	0	0	7,750,724
Improvements other than Buildings	14,614,297	0	0	14,614,297
Furniture, Fixtures and Equipment	10,164,205	56,241	0	10,220,446
Vehicles	67,959	28,066	0	96,025
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	54,981,087	84,307	0	55,065,394
Accumulated depreciation				
Buildings	(3,811,459)	(140,658)	0	(3,952,117)
Improvements other than Buildings	(8,535,076)	(349,205)	0	(8,884,281)
Furniture, Fixtures and Equipment	(3,117,401)	(387,973)	0	(3,505,374)
Vehicles	(54,080)	(7,030)	0	(61,110)
Infrastructure:				
Water Lines	(6,785,549)	(158,552)	0	(6,944,101)
Sewer Lines	(3,132,137)	(62,409)	0	(3,194,546)
Total accumulated depreciation	(25,435,702)	(1,105,827)	0	(26,541,529)
Capital assets being depreciated, net	29,545,385	(1,021,520)	0	28,523,865
Business-type activities capital assets, net	\$31,110,645	(\$1,021,520)	\$0	\$30,089,125

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 14 - 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 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 plan benefit. Member contributions, the investment of which is self-directed by the member, 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 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. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local divisions contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013 and 2012 were \$484,412, \$531,248 and \$418,442, respectively. For 2014, 89.29 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$22,998 made by the City and \$16,427 made by plan members.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
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Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For 2014, the portion of the City's contributions used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$287,845 and \$267,566 for the year ended December 31, 2014, \$237,300 and \$227,173 for the year ended December 31, 2013, and \$184,961 and \$192,751 for the year ended December 31, 2012, respectively. For 2014, 89.42 percent for police and 88.14 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 15 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment 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 and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The postemployment 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 postretirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

City of Ravenna, Ohio
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Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 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 the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013 and 2012 was \$80,735, \$40,865 and \$167,377, respectively. For 2014, 89.29 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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 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 (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OPF. OPF 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.

OPF 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 OPF meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF 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 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

OPF 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 OPF 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 2014, the employer contribution allocated to the health care plan was 0.5 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 OPF 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 contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$7,575 and \$5,693 for the year ended December 31, 2014, \$54,064 and \$40,283 for the year ended December 31, 2013, and \$97,921 and \$75,424 for the year ended December 31, 2012. For 2014, 89.42 percent has been contributed for police and 88.14 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 16 – Notes Payable

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

	Balance 12/31/13	Additions	Reductions	Balance 12/31/14
Governmental Activities:				
1.25% 2014 Enterprise Parkway Note	\$0	\$552,000	\$0	\$552,000

On November 5, 2014, the City issued bond anticipation notes for the Enterprise Parkway street improvements project. The notes will mature on November 5, 2015 and will be paid out of the capital improvements fund.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 17 - 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%	296,142	2034
Sycamore and Mill Water - 2014	0.00%	150,000	2035
<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 - 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 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, 2014

	Outstanding 12/31/13	Additions	(Reductions)	Outstanding 12/31/14	Amounts Due in One Year
Business Type Activities					
OPWC Loans					
Cotton Corners Waterline	\$5,606	\$0	(\$5,606)	\$0	\$0
Lakewood Road Waterline	16,835	0	(8,419)	8,416	8,416
Hayes Road Waterline	19,030	0	(3,459)	15,571	3,460
Highland Avenue Reconstruction	12,539	0	(1,791)	10,748	1,792
Lake Avenue Water and Storm Loan	14,513	0	(1,528)	12,985	1,527
Chestnut and Washington					
Water and Storm Sewers	35,000	0	(2,500)	32,500	2,500
West Main Street Waterline Replacement	36,250	0	(2,500)	33,750	2,500
Ravenna Area Water Improvements	13,796	0	(890)	12,906	890
New Milford Road Waterline	18,077	0	(1,130)	16,947	1,130
Clinton and Lafayette Waterline	78,372	0	(4,236)	74,136	4,236
Cleveland Road	13,133	0	(673)	12,460	674
North Diamond Water and Storm	221,408	74,734	(7,404)	288,738	14,807
Sycamore and Mill Water	0	106,273	0	106,273	0
<i>Total OPWC Loans</i>	<u>484,559</u>	<u>181,007</u>	<u>(40,136)</u>	<u>625,430</u>	<u>41,932</u>
OWDA Loans					
Lovers Lane Windmill Sewer	159,917	0	(15,118)	144,799	15,721
Kent/Ravenna Emergency Waterline	286,536	0	(24,219)	262,317	25,111
WWTP Expansion	9,937,690	0	(883,704)	9,053,986	887,597
Water Meters	851,977	0	(72,863)	779,114	75,361
<i>Total OWDA Loans</i>	<u>11,236,120</u>	<u>0</u>	<u>(995,904)</u>	<u>10,240,216</u>	<u>1,003,790</u>
General Obligation Bonds					
Energy Conservation Improvement Bonds	1,714,500	0	(73,500)	1,641,000	75,000
Premium on Energy Conservation					
Improvement Bonds	26,633	0	(1,402)	25,231	0
<i>Total General Obligation Bonds</i>	<u>1,741,133</u>	<u>0</u>	<u>(74,902)</u>	<u>1,666,231</u>	<u>75,000</u>
Capital Leases	9,939	26,937	(5,410)	31,466	9,096
Compensated Absences	171,221	72,875	(78,796)	165,300	71,827
<i>Total Business Type Activities</i>	<u>\$13,642,972</u>	<u>\$280,819</u>	<u>(\$1,195,148)</u>	<u>\$12,728,643</u>	<u>\$1,201,645</u>
Governmental Activities					
General Obligation Bonds					
Streetscape Bonds - 1994	\$13,797	\$0	(\$13,797)	\$0	\$0
Municipal Building Improvement	375,000	0	(30,000)	345,000	30,000
Energy Conservation Improvement Bonds	4,000,500	0	(171,500)	3,829,000	175,000
Premium on Energy Conservation					
Improvement Bonds	62,145	0	(3,271)	58,874	0
<i>Total General Obligation Bonds</i>	<u>4,451,442</u>	<u>0</u>	<u>(218,568)</u>	<u>4,232,874</u>	<u>205,000</u>
Special Assessment Bonds					
with Governmental Commitments					
Streetscape Bonds - 1994	\$51,200	\$0	(\$51,200)	\$0	\$0

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Outstanding 12/31/13	Additions	(Reductions)	Outstanding 12/31/14	Amounts Due in One Year
Governmental Activities (continued)					
Library Bonds					
Reed Memorial Library Refunding Serial Bonds	\$3,435,000	\$0	(\$155,000)	\$3,280,000	\$160,000
Reed Memorial Library Refunding Term Bonds	610,000	0	0	610,000	0
Discount on Reed Memorial Library Refunding Bonds	(28,275)	0	1,450	(26,825)	0
Premium on Reed Memorial Library Refunding Bonds	107,039	0	(5,489)	101,550	0
<i>Total Library Bonds</i>	<u>4,123,764</u>	<u>0</u>	<u>(159,039)</u>	<u>3,964,725</u>	<u>160,000</u>
Capital Leases	630,472	95,504	(116,719)	609,257	130,782
Compensated Absences	820,494	295,624	(343,601)	772,517	479,795
<i>Total Governmental Activities</i>	<u>\$10,077,372</u>	<u>\$391,128</u>	<u>(\$889,127)</u>	<u>\$9,579,373</u>	<u>\$975,577</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	205,000
Total mandatory sinking fund payments	<u>400,000</u>
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, 2014

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 Sycamore and Mill Water loan is \$106,273.

The City's overall legal debt margin was \$14,249,871 at December 31, 2014. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014 are as follows:

Business-Type Activities

	OPWC Loans	OWDA Loans		Energy Conservation General Obligation Bonds	
	Principal	Principal	Interest	Principal	Interest
2015	\$41,932	\$1,003,790	\$79,630	\$75,000	\$41,089
2016	33,515	1,012,044	71,586	76,500	39,589
2017	33,516	1,020,045	63,373	78,000	38,059
2018	33,515	1,028,427	54,992	79,500	36,499
2019	31,789	1,036,982	46,436	81,000	34,909
2020-2024	140,823	5,138,928	99,406	432,000	147,611
2025-2029	124,488	0	0	490,500	90,210
2030-2034	79,579	0	0	328,500	19,890
Total	\$519,157	\$10,240,216	\$415,423	\$1,641,000	\$447,856

Governmental Activities

	General Obligation Bonds		Library Bonds	
	Principal	Interest	Principal	Interest
2015	\$205,000	\$113,123	\$160,000	\$124,694
2016	213,500	108,125	165,000	119,894
2017	217,000	102,805	170,000	114,944
2018	220,500	97,413	170,000	109,844
2019	229,000	91,953	175,000	104,744
2020-2024	1,178,000	366,175	940,000	465,556
2025-2029	1,144,500	210,491	1,085,000	326,104
2030-2033	766,500	46,410	1,025,000	104,801
Total	\$4,174,000	\$1,136,495	\$3,890,000	\$1,470,581

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 18 - Jointly Governed Organization

Metro Critical Response and Rescue Team (CRRT) The Metro Critical Response and Rescue Team is a multi-jurisdictional tactical unit consisting of member agencies within Summit County as well as selected out of county agencies. The CRRT is a team of specially trained police officers from participating political subdivisions which will respond to any incident where special weapons and tactics are needed within the member jurisdictions. Each agency has a departmental representative that collectively constitutes the “Board of Directors”. 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 2014, the City contributed \$3,732, which represents 5 percent of the total contribution.

Note 19 - Joint Venture

Maple Grove Union Cemetery - The City participates in the Maple Grove Union Cemetery which is a statutorily created union cemetery, formed under chapter 759.27 of the Ohio Revised Code. The Cemetery’s functions include the funding and operation of the cemetery which is located in both the City of Ravenna and the Township of Ravenna. It is governed by a three member board comprised of one member of the Township, one member of the City and one member voted on by the Board. The Board of Trustees approves its own budget, appoints personnel and oversees accounting and finance related activities. Each participant’s control is limited to its membership representation. The continued existence of the Cemetery is dependent upon the City’s continued participation, however, the City does not have an equity interest in the Cemetery. The Cemetery is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the City. The parties share in the costs of the operation of the cemetery based upon the prorated property valuations of each entity. The City’s percentage for 2014 was 57.0 percent. During 2014, \$164,160 was paid by the City for operating expenses and capital outlay. Complete financial statements may be obtained from the Maple Grove Union Cemetery, Ravenna, Ohio.

Note 20 – Related Organization

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

In 2003, the City of Ravenna issued general obligation bonds, in the amount of \$5,350,000, for Library improvements. 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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 21 – 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	\$41,139	Water	\$643,106
Revolving Loan	163,700	Sewer	106,244
Street Construction Maintenance and Repair	11,688	Total Proprietary	<u>\$749,350</u>
EMS	353		
Capital Improvements	663,994	Agency Funds:	<u>\$56,750</u>
Other Governmental Funds	229,600		
Total Governmental Funds	<u>\$1,110,474</u>		

Note 22 – Subsequent Event

On May 5, 2015, the citizens of Ravenna voted to pass an additional 0.25 percent income tax levy for street improvements. The levy will become effective on January 1, 2016.

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

Members of the City Council
City of Ravenna, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Members of the City Council
City of Ravenna, Ohio

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ciuni & Parichi, Inc.

Cleveland, Ohio
June 30, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Members of the City Council
City of Ravenna, Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Ravenna's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibilities

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Members of the City Council
City of Ravenna, Ohio

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the City Council
City of Ravenna, Ohio

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cini & Parichi, Inc.

Cleveland, Ohio
June 30, 2015

City of Ravenna, Ohio

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2014

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: Passed-Through Ohio Development Services Agency, Office of Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	A-F-12-2DI-1	\$ 8,386
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	A-C-12-2DI-1	27,281
Discretionary Targets of Opportunity	14.228	A-D-12-2DI-1	1,625
Community Housing Improvement Program (HOME)	14.239	A-C-12-2DI-2	<u>398,255</u>
Total U.S. Department of Housing and Urban Development			<u>435,547</u>
Federal Highway Administration: Passed through the Ohio Department of Transportation:			
AMTS – Chestnut Sidewalk	20.205	PID 94282	<u>80,101</u>
Total Federal Financial Assistance			<u>\$ 515,648</u>

The accompanying notes are an integral part of this schedule

City of Ravenna, Ohio

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2014

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of the City's federal award programs. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

Note 2: Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting.

Note 3: 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 2014 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$	6,520,454
Loans made during 2014		310,387
Bad debt		(248,000)
Loan principal repaid during 2014		<u>(635,097)</u>
Ending loans receivable balance as of December 31, 2014	\$	<u>5,947,744</u>
Cash balance on hand in the revolving loan fund as of December 31, 2014	\$	1,473,093
Administrative costs expended during 2014	\$	63,487

City of Ravenna, Ohio

Schedule Of Findings
OMB Circular A-133 Section .505

For the Year Ended December 31, 2014

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Was there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510(a)?	Yes
(d)(1)(vii)	Major Programs	Community Housing Improvement Program (HOME) - CFDA # 14.239
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A:> \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

3. Findings for Federal Awards

Finding Number	2014-001
CFDA Title and Number	Community Housing Improvement Program (HOME) - CFDA # 14.239
Federal Award Year	2014
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Passed-Through Ohio Development Services Agency, Office of Community Development

City of Ravenna, Ohio

Schedule Of Findings

OMB Circular A-133 Section .505

For the Year Ended December 31, 2014

Noncompliance - Cash Management

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 lapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

The Ohio Development Services Agency, Office of Community 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 our testing over the City's cash draws, we noted that the funds that were drawn down were not disbursed to a balance of less than \$5,000 within 15 days of receipt of those funds. However, it should be noted that the expenditures made with all of the funds drawn down were for allowable costs.

We recommend the City implement procedures to ensure that all funds drawn down comply with the 15-day requirement on the disbursement of funds.

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 of Ohio Development Services Agency is aware of the status of the grant and understands that delays can occur.

City of Ravenna, Ohio

Schedule Of Prior Year Findings

For the Year Ended December 31, 2014

Finding No.	Finding Summary	Fully Corrected	Explanation
2013-001	<p>Noncompliance/Material Weakness</p> <p>Availability of Public Records:</p> <p>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.</p> <p>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.</p>	Yes	The City subsequently obtained new promissory notes from NDS dated August 12, 2014.
2013-002	<p>Material Weakness</p> <p>Written Receivable Policy:</p> <p>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.</p>	Yes	The City has established and implemented a collection policy.

City of Ravenna, Ohio

Schedule Of Prior Year Findings

For the Year Ended December 31, 2014

2013-003	<p>Material Weakness</p> <p>Neighborhood Development Services Receivable:</p> <p>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. 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.</p>	Yes	The City and NDS have executed the proper loan documents.
2013-004	<p>Noncompliance / Material Weakness</p> <p>Codes of Conduct:</p> <p>Administrative Agreement Between Neighborhood Development Services (NDS) 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.</p> <p>The City previously loaned Revolving Loan monies totaling \$1,556,902 to 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.</p>	Yes	The City has revised the "City of Ravenna's Revolving Loan Fund Administrative Plan."

City of Ravenna, Ohio

Schedule Of Prior Year Findings

For the Year Ended December 31, 2014

2013-005	<p>Noncompliance / Material Weakness</p> <p>Debt:</p> <p>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.</p> <p>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.</p>	Yes	<p>During 2013, The City's financial statements were 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.</p>
2013-006 and 2013-008	<p>Material Weakness</p> <p>Monitoring Grant and Loan Administrator:</p> <p>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.</p>	Yes	<p>The City has ensured that that the accounting function would ensure that development receivables, or any subsequent similar programs, are supported by mortgages on file with NDS.</p>

City of Ravenna, Ohio

Schedule Of Prior Year Findings

For the Year Ended December 31, 2014

2013-007	<p>Material Weakness</p> <p>Monitoring Grant and Loan Administrator:</p> <p>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.</p> <p>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.</p>	No	The City has noncompliance reported again in 2014.
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City of Ravenna, Ohio

Corrective Action Plan
OMB Circular A-133 Section .315(c)

For the Year Ended December 31, 2014

Finding No.	Finding Summary	Anticipated Completion Date	Responsible Contact Person
2014-001	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 of Ohio Development Services Agency is aware of the status of the grant and understands that delays can occur.	December 31, 2015	Kimble Cecora, Finance Director



Dave Yost • Auditor of State

CITY OF RAVENNA

POTAGE 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
OCTOBER 1, 2015**