

City of Ravenna, Ohio

**Basic Financial Statements
For The Year Ended December 31, 2016**



Dave Yost • Auditor of State

Members of City 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, 2016 through December 31, 2016. 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

October 5, 2017

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City of Ravenna, Ohio

For The Year Ended December 31, 2016

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City of Ravenna, Ohio

For The Year Ended December 31, 2016

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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, 2016, 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, 2016, 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 and the schedules of the City's proportionate share of the net pension liability and schedules of the City's contributions on pages 74 through 79 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 August 30, 2017, 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
August 30, 2017

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The management discussion and analysis of the City of Ravenna's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2016. 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

- In 2016, Ravenna residents approved a 0.25 percent income tax levy for safety related costs, providing a critical source of revenue that the general fund has needed for years. Since 2009, the City's primary focus has been on reducing the annual operating deficits that were slowly draining the general fund's cash reserve balance. The safety levy is projected to produce approximately \$950,000 annually based on a full year of taxation with all earned income subject to the new tax. The details of this levy, along with a look back over the past seven years are provided below in the general fund narrative.
- The City complies with GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements presentation of the City. The City implemented these statements in 2015.
- Governmental and business-type capital assets decreased from 2015 due to current year depreciation exceeding capital asset additions for the year. Current year additions include construction in progress, various pieces of equipment and vehicles.
- Governmental long-term obligations increased from 2015 due to an increase in the net pension liability, which was partially offset by an additional year of debt obligation payments. Business-type long-term obligations slightly decreased due to an additional year of debt obligation payments, which was partially offset by an increase in the net pension liability.

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.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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 2016?" 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 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.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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.

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 2016 compared to 2015.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$15,613,188	\$14,431,704	\$10,140,910	\$10,375,624	\$25,754,098	\$24,807,328
Capital Assets, Net	38,650,793	39,359,885	29,480,663	30,146,850	68,131,456	69,506,735
Total Assets	54,263,981	53,791,589	39,621,573	40,522,474	93,885,554	94,314,063
Deferred Outflow of Resources						
Deferred Charge on Refunding	116,927	124,013	0	0	116,927	124,013
Pension	2,987,394	1,167,858	1,011,502	347,603	3,998,896	1,515,461
Total Deferred Outflows of Resources	3,104,321	1,291,871	1,011,502	347,603	4,115,823	1,639,474
Liabilities						
Current Liabilities	842,816	1,073,389	177,943	238,272	1,020,759	1,311,661
Long-Term Liabilities						
Due Within One Year	950,181	925,768	1,274,696	1,213,898	2,224,877	2,139,666
Due in More Than One Year						
Net Pension Liability	11,095,646	8,660,676	2,628,762	2,011,688	13,724,408	10,672,364
Other Amounts	7,909,985	8,247,149	9,586,466	10,465,973	17,496,451	18,713,122
Total Liabilities	20,798,628	18,906,982	13,667,867	13,929,831	34,466,495	32,836,813
Deferred Inflow of Resources						
Property Taxes	526,649	528,497	0	0	526,649	528,497
Pension	121,521	31,341	170,364	35,341	291,885	66,682
Total Deferred Outflows of Resources	648,170	559,838	170,364	35,341	818,534	595,179
Net Position						
Net Investment in Capital Assets	34,345,072	34,406,108	18,899,033	18,693,156	53,244,105	53,099,264
Restricted for:						
Revolving Loans	7,546,407	7,288,078	0	0	7,546,407	7,288,078
Street Construction,						
Maintenance and Repair	1,264,893	1,299,957	0	0	1,264,893	1,299,957
State Highway	54,162	47,693	0	0	54,162	47,693
Other Purposes	920,270	499,312	0	0	920,270	499,312
Unrestricted (Deficit)	(8,209,300)	(7,924,508)	7,895,811	8,211,749	(313,489)	287,241
Total Net Position	\$35,921,504	\$35,616,640	\$26,794,844	\$26,904,905	\$62,716,348	\$62,521,545

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
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GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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 slightly increased. The significant increase in total deferred outflows of resources in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability. The net pension liability increase represents the City's proportionate share of the pension plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates and return on investments affect the balance of the net pension liability. Management continues to diligently plan expenses, maintaining excellent levels of service within the constraints of the budget.

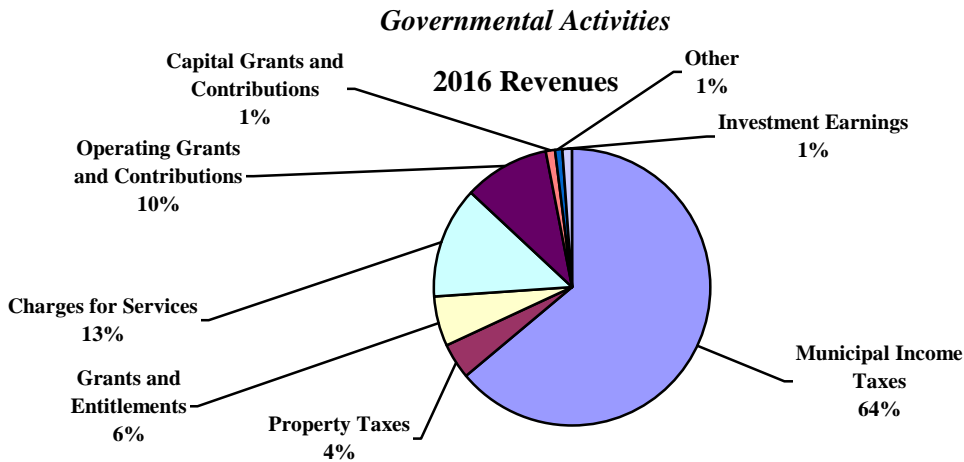
In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2016 and 2015.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Change in Net Position

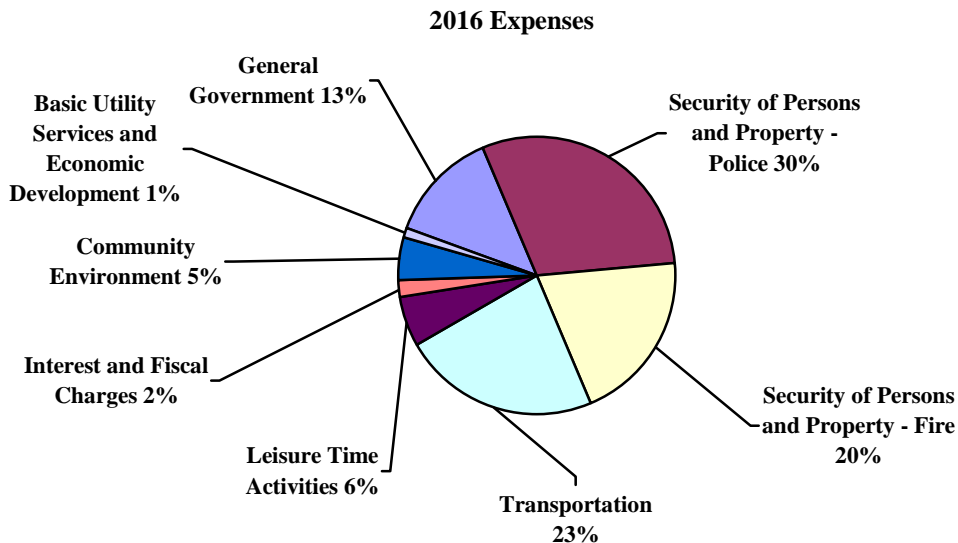
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services and Assessments	\$1,605,810	\$1,552,953	\$5,669,108	\$5,066,412	\$7,274,918	\$6,619,365
Operating Grants and Contributions	1,238,561	1,066,521	0	0	1,238,561	1,066,521
Capital Grants and Contributions	175,768	478,646	358,491	411,151	534,259	889,797
Total Program Revenues	3,020,139	3,098,120	6,027,599	5,477,563	9,047,738	8,575,683
General Revenues						
Property Taxes	538,725	570,677	0	0	538,725	570,677
Income Taxes	8,099,042	6,675,723	975,841	907,846	9,074,883	7,583,569
Grants and Entitlements	729,320	789,214	0	0	729,320	789,214
Unrestricted Contributions	11,335	20,630	0	0	11,335	20,630
Interest	110,489	98,715	0	0	110,489	98,715
Other	85,002	65,112	114,952	120,381	199,954	185,493
Total General Revenues	9,573,913	8,220,071	1,090,793	1,028,227	10,664,706	9,248,298
Total Revenues	12,594,052	11,318,191	7,118,392	6,505,790	19,712,444	17,823,981
Program Expenses						
General Government	1,545,045	1,617,655	0	0	1,545,045	1,617,655
Security of Persons and Property:						
Police	3,701,673	3,406,441	0	0	3,701,673	3,406,441
Fire	2,418,704	2,411,516	0	0	2,418,704	2,411,516
Leisure Time Activities	672,770	702,503	0	0	672,770	702,503
Public Health and Welfare	20,487	88,286	0	0	20,487	88,286
Community Environment	627,623	989,373	0	0	627,623	989,373
Transportation	2,844,739	3,172,916	0	0	2,844,739	3,172,916
Basic Utility Services	36,969	36,425	0	0	36,969	36,425
Economic Development	57,050	189,820	0	0	57,050	189,820
Interest and Fiscal Charges	248,271	252,703	0	0	248,271	252,703
Water	0	0	4,625,806	5,045,486	4,625,806	5,045,486
Sewer	0	0	2,718,504	2,701,798	2,718,504	2,701,798
Total Program Expenses	12,173,331	12,867,638	7,344,310	7,747,284	19,517,641	20,614,922
Excess of Revenues						
Over (Under) Expenses	420,721	(1,549,447)	(225,918)	(1,241,494)	194,803	(2,790,941)
Transfers	(115,857)	199,577	115,857	(199,577)	0	0
Change in Net Position	304,864	(1,349,870)	(110,061)	(1,441,071)	194,803	(2,790,941)
Net Position Beginning of Year	35,616,640	36,966,510	26,904,905	28,345,976	62,521,545	65,312,486
Net Position End of Year	\$35,921,504	\$35,616,640	\$26,794,844	\$26,904,905	\$62,716,348	\$62,521,545

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited



Several sources fund our governmental activities with the City income tax being the largest component. An income tax of 2.50 percent is levied on all income earned within the City. For 2016, annual tax receipts remain more than half of all governmental fund revenues at 64 percent.

Program revenues, including charges for services and assessments, operating grants and contributions, and capital grants and contributions make up the second largest revenue source within the City. Charges for services increased in 2016, primarily due to an increase in general department fees and memberships. The City continues to maintain its stance of actively pursuing all forms of grants available.



Major expense activities continue to be:

Security of persons and property (Police and Fire) is the City's largest cost center, accounting for 50 percent of all governmental activity expenses. The second largest cost component, transportation, finished at 23 percent of total governmental expenses.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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 2016, the City of Ravenna reported combined governmental fund balances of \$12,212,418. Of this amount, \$538,004 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. Within the general fund, safety forces accounts for the largest component of expenditures at nearly 75 percent. The revolving loan special revenue fund balance increased due to grant monies received in 2016. The street construction, maintenance and repair special revenue fund had a slight decrease in fund balance due to carrying a higher fuel inventory to accommodate sales to entities purchasing fuel from the City. The EMS special revenue fund had an increase in fund balance as revenues continue to exceed expenditures. The capital improvements capital projects fund experienced an uptick in fund balance as the City now has a separate roadway improvement fund, fueled by its own tax levy, relieving the capital improvement fund of its roadway project funding obligation.

General Fund Budgeting Highlights

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

The original 2016 general fund revenues were budgeted at \$6,499,012 and final budgeted revenues were \$6,370,529. The actual revenue received was higher than 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 lower than the final appropriations due to management keeping costs low while still providing the services the citizens expect.

City of Ravenna, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2016 balances of capital assets as compared to 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,704,766	\$1,704,766	\$1,565,260	\$1,565,260	\$3,270,026	\$3,270,026
Construction in Progress	395,234	50,215	0	0	395,234	50,215
Buildings	1,874,397	1,955,262	3,367,208	3,657,949	5,241,605	5,613,211
Improvements other than Buildings	177,000	199,344	5,000,945	5,368,054	5,177,945	5,567,398
Furniture, Fixtures and Equipment	1,416,639	1,477,278	7,388,285	7,425,104	8,804,924	8,902,382
Vehicles	1,276,380	1,022,101	371,156	112,630	1,647,536	1,134,731
Infrastructure	31,806,377	32,950,919	11,787,809	12,017,853	43,594,186	44,968,772
Total Capital Assets	<u>\$38,650,793</u>	<u>\$39,359,885</u>	<u>\$29,480,663</u>	<u>\$30,146,850</u>	<u>\$68,131,456</u>	<u>\$69,506,735</u>

Total capital assets for governmental-type activities of the City of Ravenna decreased from 2015 due to annual depreciation outpacing additions. This decrease was partially offset by continuing construction projects and the purchase of various equipment and vehicles in 2016. Additional information concerning the City's capital assets can be found in Note 15 to the basic financial statements.

Long-term Obligations

At December 31, 2016, the City of Ravenna had governmental bonds, net pension liability, capital leases and compensated absences outstanding. The Library bonds account for \$3,631,647, or 18.2 percent of the total governmental activities. At December 31, 2016, the City had \$13,489,924 outstanding in long-term business-type obligations, which include general obligation bonds, OPWC loans, OWDA loans, net pension liability, 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	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$3,807,832	\$4,024,603	\$1,511,927	\$1,589,829	\$5,319,759	\$5,614,432
Library Bonds	3,631,647	3,800,686	0	0	3,631,647	3,800,686
OPWC Loans	0	0	669,386	651,268	669,386	651,268
OWDA Loans	0	0	8,224,592	9,236,426	8,224,592	9,236,426
Net Pension Liability	11,095,646	8,660,676	2,628,762	2,011,688	13,724,408	10,672,364
Capital Leases	614,230	623,363	214,361	22,370	828,591	645,733
Compensated Absences	806,457	724,265	240,896	179,978	1,047,353	904,243
Total	<u>\$19,955,812</u>	<u>\$17,833,593</u>	<u>\$13,489,924</u>	<u>\$13,691,559</u>	<u>\$33,445,736</u>	<u>\$31,525,152</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 \$16,324,165.

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

Current Financial Related Activities

General Fund

In 2016, the City of Ravenna finally began to turn the corner in regard to its general fund position, as the year finished on the upside with a \$194,299 operating surplus. This marks the first time since 2007 that annual revenues exceeded expenditures for the year. As discussed below, the infusion of new revenues point to a slow but steady recovery in the City's general fund.

For the past seven years, the year end analysis of the general fund revealed that the steady decline in revenues was at the core of the fund's hardship. The losses of interest income and local government funding, along with sagging income tax receipts were well chronicled. The City tried to combat these losses in revenue with aggressive cost cutting measures, but the deficit gap could never be fully closed, only reduced.

By the end of 2015, the City had hit the wall. The available cash balance in the general fund had been extinguished. It had been called upon to support year after year of annual operating deficits. The fund balance could no longer prop up annual operating shortfalls, no matter how small.

While the revenue declines mounted over the seven year period, the City attempted to counteract these losses by cutting labor, employee benefits and operating expenses in every general fund area with the exception of police and fire. Despite the fact that safety forces comprised the lion's share of general fund annual costs, the City held off enacting safety forces cuts until all other general fund departments were operating at minimum levels or, in some instances, eliminated entirely. With the pending financial situation looming, City officials met with representatives from the Ohio Auditor of State's Performance Audit Division, to seek additional guidance in navigating through the financial hardship. Upon the Auditor's preliminary review of the City's cost cutting actions already implemented, they concurred that it would take an additional source of general fund revenue or the City would be faced with making another round of cuts. This time, the cuts would directly impact safety forces.

For the past eight years the Budget Commission made it a practice to identify annual operating deficits as being a product of safety and non-safety costs. This approach examined the total cost of safety in relation to total general fund costs and enabled the Commission to identify exactly what percentage of the deficits were driven by safety. It was determined that police and fire historically accounted for roughly 73 percent of all general fund expenditures. For 2016, the City's initial tax budget projected an annual general fund operating deficit of \$788,166, and, applying the percentage-of-cost methodology described above, \$575,253 or 57

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percent of the deficit was attributable to safety. The remaining \$212,913 or 27 percent of the deficit was attributable to non-safety general fund functions. This allocation was used as the baseline for determining the next steps that would be needed to balance annual budgets.

The Budget Commission understood that the only way of cutting nearly \$600,000 from police and fire would have to be through labor reductions. However, both departments were already running on minimal manpower and any further reductions would significantly impact public safety. With that in mind, the Budget Commission approached City Council with the pending situation and a set of solutions to fill the operating deficit gap. One was that safety layoffs would be necessary in early 2016 to balance the budget. The other was to ask Council if they were in favor of going to the ballot with a safety-specific income tax levy. Council was on board with the levy and the ballot initiative first appeared in the November 2015 election. The levy failed at polls, and the Budget Commission was now faced with the task of creating the timeline to affect the safety layoffs.

As the Commission was working with the police and fire chiefs on the layoff implementation plan, City Council decided to try a second time to pass the safety forces levy in the March 2016 primary election. The election results would now determine either a definitive date for the layoffs or provide the revenues needed to maintain the baseline safety services in place at the time. The residents of Ravenna responded the second time around and passed the 0.25 percent income tax levy by a significant margin. This new source of revenue was estimated to provide approximately \$950,000 per year once the increase settled into a full year of taxation.

The receipts generated by the permanent levy would now help move the general fund back into the black on an annual basis. However, in late 2015, before any new levy revenues could be counted on, the Budget Commission and the City Administration needed to draw upon a variety of resourceful funding solutions to ensure the general fund could survive through the first quarter of 2016. Through City Council's ability to legislatively control the revenue designation to various funds, a redistribution of tax receipts was employed that bolstered the general fund at the end of 2015. While the bulk of the redistribution came at the expense of the capital improvement fund, a more substantial 2015 year-end balance was rolled into 2016 to start the year.

After being propped with these additional revenues, the general fund opened 2016 with a \$407,387 cash balance. The hope was that this available cash would help maintain payrolls and operating costs until the fate of the safety levy was decided in March. The 2015 tax redistribution was rolled over to 2016 and, upon the passage of the levy; the combination of a partial year of the safety levy revenue with the infusion of the redistributed income tax enabled general fund to finish the year with a \$194,299 annual surplus. For the first time in eight years, the general fund's annual operating position was in the black.

The 2016 cash basis numbers show that total general fund revenues topped out at \$6,549,202 while expenditures were held to \$6,082,753 versus budgeted expenses of \$6,431,788.

In the end, the redistributed revenues that were carried into 2016 combined with a reduction in operating expenses helped replicate the prior year's \$407,387 ending cash balance. But it was the newly generated revenues from the safety levy that added to this amount and enabled general fund to finish with a cash balance of \$804,228 in 2016.

As a final note, the Ohio Auditor of State's Office released the results of an ongoing study being done to identify those public entities that were approaching fiscal crisis. The study, entitled the "Financial Heat Index", measured a set of seventeen basic financial tests that could be used as key indicators as to an entity's

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financial well-being. Of the seventeen tests the City of Ravenna had six rated as “Critical”, meaning that extreme financial hardship was in the near future. As expected, all the “Critical” ratings were general fund related. The data sample used for the report was for a period through the end of 2015 and by the time the results were released, the City had resolved its on-going operating deficit woes through a combination of management actions and the good graces of Ravenna residents at the ballot. While the results of the report were no surprise to the City, it served to reinforce the importance of being pro-active over the past eight years in identifying and reacting to the situation in its early stages. This was particularly critical in that prior to the ballot initiative the City was able to illustrate to its residents the multitude of cost cutting measures taken before asking for a new tax. The Auditor’s “Heat Index Report” served to confirm not only the City’s past decisions to reduce services, but also the urgency that prompted those decisions.

In summary, the 2015 MD&A update reported on the new safety levy and offered the following the narrative, which bears reiterating:

“And while the general fund now has a permanent source of revenue that it so sorely lacked over the past seven years, the uphill battle the City fought over this time served to create a new model of operating, with the focus on primary City services. The difficult decisions made to reduce staff, close programs, and eliminate and consolidate departments are now in the past. But the lesson learned needs to carry into the future as the City can ill afford to lose sight of maintaining tight cost controls and pursuing all options to reduce expenses.”

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, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,320,920	\$5,559,358	\$11,880,278
Materials and Supplies Inventory	84,247	172,773	257,020
Accrued Interest Receivable	2,285	0	2,285
Accounts Receivable	1,228,032	623,750	1,851,782
Internal Balances	(379,679)	379,679	0
Intergovernmental Receivable	500,140	3,219,899	3,720,039
Prepaid Items	65,619	34,859	100,478
Income Taxes Receivable	1,326,382	150,592	1,476,974
Property Taxes Receivable	560,603	0	560,603
Special Assessments Receivable	43,739	0	43,739
Loans Receivable	5,860,900	0	5,860,900
Nondepreciable Capital Assets	2,100,000	1,565,260	3,665,260
Depreciable Capital Assets, Net	36,550,793	27,915,403	64,466,196
<i>Total Assets</i>	<u>54,263,981</u>	<u>39,621,573</u>	<u>93,885,554</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding Pension	116,927	0	116,927
	2,987,394	1,011,502	3,998,896
<i>Total Deferred Outflows of Resources</i>	<u>3,104,321</u>	<u>1,011,502</u>	<u>4,115,823</u>
Liabilities			
Accounts Payable	324,243	42,036	366,279
Accrued Wages	198,240	81,260	279,500
Intergovernmental Payable	150,642	49,335	199,977
Accrued Interest Payable	23,288	5,312	28,600
Claims Payable	146,403	0	146,403
Long-Term Liabilities:			
Due Within One Year	950,181	1,274,696	2,224,877
Due In More Than One Year			
Net Pension Liability (See Note 16)	11,095,646	2,628,762	13,724,408
Other Amounts Due in More than One Year	7,909,985	9,586,466	17,496,451
<i>Total Liabilities</i>	<u>20,798,628</u>	<u>13,667,867</u>	<u>34,466,495</u>
Deferred Inflow of Resources			
Property Taxes	526,649	0	526,649
Pension	121,521	170,364	291,885
<i>Total Deferred Inflows of Resources</i>	<u>648,170</u>	<u>170,364</u>	<u>818,534</u>
Net Position			
Net Investment in Capital Assets	34,345,072	18,899,033	53,244,105
Restricted for:			
Revolving Loans	7,546,407	0	7,546,407
Street Construction, Maintenance and Repair	1,264,893	0	1,264,893
State Highway	54,162	0	54,162
Other Purposes	920,270	0	920,270
Unrestricted (Deficit)	(8,209,300)	7,895,811	(313,489)
<i>Total Net Position</i>	<u>\$35,921,504</u>	<u>\$26,794,844</u>	<u>\$62,716,348</u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,545,045	\$186,510	\$0	\$174,101
Security of Persons and Property:				
Police	3,701,673	251,883	2,768	0
Fire	2,418,704	630,276	4,250	0
Leisure Time Activities	672,770	258,193	240	1,667
Public Health and Welfare	20,487	0	0	0
Community Environment	627,623	271,071	150,114	0
Transportation	2,844,739	7,877	732,138	0
Basic Utility Services	36,969	0	0	0
Economic Development	57,050	0	349,051	0
Interest and Fiscal Charges	248,271	0	0	0
<i>Total Governmental Activities</i>	<u>12,173,331</u>	<u>1,605,810</u>	<u>1,238,561</u>	<u>175,768</u>
Business-Type Activities:				
Water	4,625,806	2,812,832	0	233,500
Sewer	2,718,504	2,856,276	0	124,991
<i>Total Business-Type Activities</i>	<u>7,344,310</u>	<u>5,669,108</u>	<u>0</u>	<u>358,491</u>
<i>Total</i>	<u>\$19,517,641</u>	<u>\$7,274,918</u>	<u>\$1,238,561</u>	<u>\$534,259</u>

General Revenues

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$1,184,434)	\$0	(\$1,184,434)
(3,447,022)	0	(3,447,022)
(1,784,178)	0	(1,784,178)
(412,670)	0	(412,670)
(20,487)	0	(20,487)
(206,438)	0	(206,438)
(2,104,724)	0	(2,104,724)
(36,969)	0	(36,969)
292,001	0	292,001
(248,271)	0	(248,271)
<u>(9,153,192)</u>	<u>0</u>	<u>(9,153,192)</u>
0	(1,579,474)	(1,579,474)
<u>0</u>	<u>262,763</u>	<u>262,763</u>
<u>0</u>	<u>(1,316,711)</u>	<u>(1,316,711)</u>
<u>(9,153,192)</u>	<u>(1,316,711)</u>	<u>(10,469,903)</u>
538,725	0	538,725
5,107,514	0	5,107,514
1,407,376	0	1,407,376
390,300	0	390,300
312,288	0	312,288
881,564	0	881,564
0	975,841	975,841
729,320	0	729,320
11,335	0	11,335
110,489	0	110,489
85,002	114,952	199,954
<u>9,573,913</u>	<u>1,090,793</u>	<u>10,664,706</u>
<u>(115,857)</u>	<u>115,857</u>	<u>0</u>
<u>9,458,056</u>	<u>1,206,650</u>	<u>10,664,706</u>
304,864	(110,061)	194,803
<u>35,616,640</u>	<u>26,904,905</u>	<u>62,521,545</u>
<u>\$35,921,504</u>	<u>\$26,794,844</u>	<u>\$62,716,348</u>

City of Ravenna, Ohio

Balance Sheet

Governmental Funds

December 31, 2016

	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	\$802,050	\$1,685,507	\$1,039,325	\$2,089	\$1,078,156	\$1,711,615	\$6,318,742
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	2,178	0	0	0	0	0	2,178
Materials and Supplies Inventory	59,184	0	13,817	0	0	11,246	84,247
Accounts Receivable	37,941	0	360	1,183,952	646	5,133	1,228,032
Accrued Interest Receivable	2,285	0	0	0	0	0	2,285
Interfund Receivable	4,250	0	0	0	0	0	4,250
Intergovernmental Receivable	208,774	0	266,846	4,250	1,350	18,920	500,140
Prepaid Items	50,025	0	8,754	0	233	6,607	65,619
Income Taxes Receivable	842,643	0	88,559	48,208	105,751	241,221	1,326,382
Property Taxes Receivable	560,603	0	0	0	0	0	560,603
Special Assessments Receivable	40,042	0	0	0	0	3,697	43,739
Loans Receivable	0	5,860,900	0	0	0	0	5,860,900
Total Assets	\$2,609,975	\$7,546,407	\$1,417,661	\$1,238,499	\$1,186,136	\$1,998,439	\$15,997,117
Liabilities							
Accounts Payable	\$34,440	\$0	\$18,640	\$0	\$76,551	\$194,612	\$324,243
Accrued Wages	159,633	0	25,665	0	701	12,241	198,240
Intergovernmental Payable	126,684	0	15,132	0	433	8,393	150,642
Interfund Payable	81,400	0	14,348	4,250	0	430,334	530,332
Total Liabilities	402,157	0	73,785	4,250	77,685	645,580	1,203,457
Deferred Inflows of Resources							
Property Taxes	526,649	0	0	0	0	0	526,649
Unavailable Revenue	580,999	0	199,944	1,116,074	42,668	114,908	2,054,593
Total Deferred Inflows of Resources	1,107,648	0	199,944	1,116,074	42,668	114,908	2,581,242
Fund Balances							
Nonspendable	111,387	0	22,571	0	233	17,853	152,044
Restricted	0	7,546,407	1,121,361	0	0	897,511	9,565,279
Committed	0	0	0	118,175	1,065,550	749,847	1,933,572
Assigned	23,519	0	0	0	0	0	23,519
Unassigned (Deficit)	965,264	0	0	0	0	(427,260)	538,004
Total Fund Balances	1,100,170	7,546,407	1,143,932	118,175	1,065,783	1,237,951	12,212,418
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,609,975	\$7,546,407	\$1,417,661	\$1,238,499	\$1,186,136	\$1,998,439	\$15,997,117

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, 2016*

Total Governmental Fund Balances	\$12,212,418
 <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.	38,650,793
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	\$33,954
Income Taxes	535,172
Intergovernmental	309,642
Charges for Services	1,096,837
Special Assessments	41,811
Other	<u>37,177</u>
Total	2,054,593
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	2,987,394
Deferred Inflows - Pension	(121,521)
Net Pension Liability	<u>(11,095,646)</u>
Total	(8,229,773)
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(23,288)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(3,807,832)
Library Bonds	(3,631,647)
Capital Leases Payable	(614,230)
Compensated Absences	(806,457)
Deferred Charge on Refunding	<u>116,927</u>
Total	<u>(8,743,239)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$35,921,504</u></u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$543,289	\$0	\$0	\$0	\$0	\$0	\$543,289
Income Taxes	4,933,374	0	565,859	303,741	667,655	1,360,167	7,830,796
Intergovernmental	443,704	349,051	699,825	0	174,101	483,464	2,150,145
Interest	74,259	36,230	0	0	0	0	110,489
Fees, Licenses and Permits	438,382	0	0	0	0	0	438,382
Fines and Forfeitures	3,180	0	0	0	0	1,356	4,536
Rentals	1,241	0	0	0	32,628	6,501	40,370
Charges for Services	18,822	0	7,877	458,007	646	520,462	1,005,814
Contributions and Donations	11,335	0	0	0	0	1,907	13,242
Special Assessments	200	0	0	0	0	37,658	37,858
Other	6,491	10	17,349	863	21,099	2,013	47,825
<i>Total Revenues</i>	<u>6,474,277</u>	<u>385,291</u>	<u>1,290,910</u>	<u>762,611</u>	<u>896,129</u>	<u>2,413,528</u>	<u>12,222,746</u>
Expenditures							
Current:							
General Government	1,485,163	0	0	0	0	1,455	1,486,618
Security of Persons and Property:							
Police	3,270,870	0	0	0	0	8,970	3,279,840
Fire	1,256,657	0	0	747,506	0	0	2,004,163
Leisure Time Activities	0	0	0	0	0	585,790	585,790
Community Environment	25,934	0	0	0	0	335,737	361,671
Transportation	0	0	1,321,463	0	0	546,487	1,867,950
Economic Development	0	57,050	0	0	0	0	57,050
Capital Outlay	0	0	0	0	628,511	155,976	784,487
Debt Service:							
Principal Retirement	41,009	0	283	0	305,697	229,275	576,264
Interest and Fiscal Charges	345	0	2	0	106,951	141,412	248,710
<i>Total Expenditures</i>	<u>6,079,978</u>	<u>57,050</u>	<u>1,321,748</u>	<u>747,506</u>	<u>1,041,159</u>	<u>2,005,102</u>	<u>11,252,543</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>394,299</u>	<u>328,241</u>	<u>(30,838)</u>	<u>15,105</u>	<u>(145,030)</u>	<u>408,426</u>	<u>970,203</u>
Other Financing Sources (Uses)							
Inception of Capital Lease	0	0	0	0	105,424	83,207	188,631
Transfers In	0	0	0	0	738,795	50,750	789,545
Transfers Out	(200,000)	(69,912)	0	0	(133,964)	(501,526)	(905,402)
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>(69,912)</u>	<u>0</u>	<u>0</u>	<u>710,255</u>	<u>(367,569)</u>	<u>72,774</u>
<i>Net Change in Fund Balances</i>	<u>194,299</u>	<u>258,329</u>	<u>(30,838)</u>	<u>15,105</u>	<u>565,225</u>	<u>40,857</u>	<u>1,042,977</u>
<i>Fund Balances Beginning of Year</i>	<u>905,871</u>	<u>7,288,078</u>	<u>1,174,770</u>	<u>103,070</u>	<u>500,558</u>	<u>1,197,094</u>	<u>11,169,441</u>
<i>Fund Balances End of Year</i>	<u>\$1,100,170</u>	<u>\$7,546,407</u>	<u>\$1,143,932</u>	<u>\$118,175</u>	<u>\$1,065,783</u>	<u>\$1,237,951</u>	<u>\$12,212,418</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, 2016*

Net Change in Fund Balances - Total Governmental Funds	\$1,042,977
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
Current Year Additions	\$859,748
Current Year Depreciation	<u>(1,568,840)</u>
Total	(709,092)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Delinquent Property Taxes	(4,564)
Income Taxes	268,246
Intergovernmental	(8,403)
Charges for Services	77,485
Special Assessments	1,365
Other	<u>37,177</u>
Total	371,306
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.	
	(188,631)
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.	
	576,264
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	855
Accrued Interest on Capital Lease	(640)
Amortization of Discount	(1,450)
Amortization of Premium	8,760
Amortization of Deferred Charge on Refunding	<u>(7,086)</u>
Total	439
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.	
	(82,192)
The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.	
	(593)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	805,935
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	<u>(1,511,549)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$304,864</u></u>

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$554,127	\$543,172	\$543,489	\$317
Income Taxes	4,965,006	4,866,850	5,040,673	173,823
Intergovernmental	474,965	465,575	448,286	(17,289)
Interest	12,854	12,600	5,693	(6,907)
Fees, Licenses and Permits	453,629	444,661	470,777	26,116
Fines and Forfeitures	4,661	4,569	3,180	(1,389)
Rentals	1,020	1,000	1,241	241
Contributions and Donations	10,967	10,750	11,335	585
Other	21,783	21,352	24,528	3,176
<i>Total Revenues</i>	6,499,012	6,370,529	6,549,202	178,673
Expenditures				
Current:				
General Government	1,622,800	1,666,411	1,513,887	152,524
Security of Persons and Property:				
Police	3,337,096	3,427,736	3,281,752	145,984
Fire	1,250,454	1,284,251	1,259,344	24,907
Community Environment	52,205	53,390	27,770	25,620
<i>Total Expenditures</i>	6,262,555	6,431,788	6,082,753	349,035
<i>Excess of Revenues Over (Under) Expenditures</i>	236,457	(61,259)	466,449	527,708
Other Financing Sources (Uses)				
Advances In	47,245	47,245	36,058	(11,187)
Advances Out	(4,250)	(4,250)	(4,250)	0
Transfers Out	(300,000)	(300,000)	(200,000)	100,000
<i>Total Other Financing Sources (Uses)</i>	(257,005)	(257,005)	(168,192)	88,813
<i>Net Change in Fund Balance</i>	(20,548)	(318,264)	298,257	616,521
<i>Fund Balance Beginning of Year</i>	458,434	458,434	458,434	0
Prior Year Encumbrances Appropriated	33,938	33,938	33,938	0
<i>Fund Balance End of Year</i>	\$471,824	\$174,108	\$790,629	\$616,521

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$48,800	\$48,800	\$36,230	(\$12,570)
Other	241,050	283,489	176,649	(106,840)
<i>Total Revenues</i>	289,850	332,289	212,879	(119,410)
Expenditures				
Current:				
Economic Development	631,500	661,500	156,859	504,641
<i>Excess of Revenues Over (Under) Expenditures</i>	(341,650)	(329,211)	56,020	385,231
Other Financing Sources (Uses)				
Transfers Out	(169,912)	(100,000)	(69,912)	30,088
<i>Net Change in Fund Balance</i>	(511,562)	(429,211)	(13,892)	415,319
<i>Fund Balance Beginning of Year</i>	1,645,711	1,645,711	1,645,711	0
Prior Year Encumbrances Appropriated	38,000	38,000	38,000	0
<i>Fund Balance End of Year</i>	<u>\$1,172,149</u>	<u>\$1,254,500</u>	<u>\$1,669,819</u>	<u>\$415,319</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$558,988	\$558,988	\$578,970	\$19,982
Intergovernmental	759,944	705,650	697,000	(8,650)
Charges for Services	325	325	8,344	8,019
Other	4,113	4,113	4,479	366
<i>Total Revenues</i>	1,323,370	1,269,076	1,288,793	19,717
Expenditures				
Current:				
Transportation	1,686,616	1,714,657	1,378,416	336,241
<i>Net Change in Fund Balance</i>	(363,246)	(445,581)	(89,623)	355,958
<i>Fund Balance Beginning of Year</i>	1,028,690	1,028,690	1,028,690	0
Prior Year Encumbrances Appropriated	91,972	91,972	91,972	0
<i>Fund Balance End of Year</i>	\$757,416	\$675,081	\$1,031,039	\$355,958

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Income Taxes	\$336,160	\$304,212	\$315,087	\$10,875
Intergovernmental	4,250	4,250	0	(4,250)
Charges for Services	447,000	447,000	429,395	(17,605)
Other	812	812	863	51
<i>Total Revenues</i>	788,222	756,274	745,345	(10,929)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	788,222	756,274	749,595	6,679
<i>Excess of Revenues Over (Under) Expenditures</i>	0	0	(4,250)	(4,250)
Other Financing Sources (Uses)				
Advances In	0	4,250	4,250	0
Advances Out	0	(4,250)	0	4,250
<i>Total Other Financing Sources (Uses)</i>	0	0	4,250	4,250
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$0	\$0

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$3,234,195	\$2,325,163	\$5,559,358	\$0
Materials and Supplies Inventory	161,813	10,960	172,773	0
Accounts Receivable	305,866	317,884	623,750	0
Intergovernmental Receivable	477	3,219,422	3,219,899	0
Prepaid Items	23,607	11,252	34,859	0
Income Taxes Receivable	150,592	0	150,592	0
Interfund Receivable	427,260	0	427,260	146,403
<i>Total Current Assets</i>	<u>4,303,810</u>	<u>5,884,681</u>	<u>10,188,491</u>	<u>146,403</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,282,800	282,460	1,565,260	0
Depreciable Capital Assets, Net	15,640,524	12,274,879	27,915,403	0
<i>Total Noncurrent Assets</i>	<u>16,923,324</u>	<u>12,557,339</u>	<u>29,480,663</u>	<u>0</u>
<i>Total Assets</i>	<u>21,227,134</u>	<u>18,442,020</u>	<u>39,669,154</u>	<u>146,403</u>
Deferred Outflows of Resources				
Pension	566,441	445,061	1,011,502	0
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	34,261	7,775	42,036	0
Accrued Wages	43,753	37,507	81,260	0
Intergovernmental Payable	27,499	21,836	49,335	0
Interfund Payable	27,963	19,618	47,581	0
Accrued Interest Payable	3,542	1,770	5,312	0
Compensated Absences Payable	44,034	36,531	80,565	0
Capital Leases Payable	35,885	17,821	53,706	0
OPWC Loans Payable	42,380	0	42,380	0
OWDA Loans Payable	107,612	912,433	1,020,045	0
General Obligation Bonds Payable	52,000	26,000	78,000	0
Claims Payable	0	0	0	146,403
<i>Total Current Liabilities</i>	<u>418,929</u>	<u>1,081,291</u>	<u>1,500,220</u>	<u>146,403</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	97,894	62,437	160,331	0
Capital Leases Payable	107,267	53,388	160,655	0
OPWC Loans Payable	627,006	0	627,006	0
OWDA Loans Payable	729,367	6,475,180	7,204,547	0
General Obligation Bonds Payable	955,950	477,977	1,433,927	0
Net Pension Liability	1,472,108	1,156,654	2,628,762	0
<i>Total Long-Term Liabilities</i>	<u>3,989,592</u>	<u>8,225,636</u>	<u>12,215,228</u>	<u>0</u>
<i>Total Liabilities</i>	<u>4,408,521</u>	<u>9,306,927</u>	<u>13,715,448</u>	<u>146,403</u>
Deferred Inflows of Resources				
Pension	53,332	117,032	170,364	0
Net Position				
Net Investment in Capital Assets	14,291,858	4,607,175	18,899,033	0
Unrestricted	3,039,864	4,855,947	7,895,811	0
<i>Total Net Position</i>	<u>\$17,331,722</u>	<u>\$9,463,122</u>	<u>\$26,794,844</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, 2016*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$2,741,918	\$2,856,276	\$5,598,194	\$1,927,261
Fees, Licenses and Permits	70,914	0	70,914	0
Other	25,846	89,106	114,952	0
<i>Total Operating Revenues</i>	<u>2,838,678</u>	<u>2,945,382</u>	<u>5,784,060</u>	<u>1,927,261</u>
Operating Expenses				
Personal Services	1,845,461	1,393,840	3,239,301	0
Materials and Supplies	471,450	161,513	632,963	0
Contractual Services	1,552,548	637,645	2,190,193	507,291
Depreciation	545,296	473,514	1,018,810	0
Claims	0	0	0	1,420,563
<i>Total Operating Expenses</i>	<u>4,414,755</u>	<u>2,666,512</u>	<u>7,081,267</u>	<u>1,927,854</u>
<i>Operating Income (Loss)</i>	<u>(1,576,077)</u>	<u>278,870</u>	<u>(1,297,207)</u>	<u>(593)</u>
Non-Operating Revenues (Expenses)				
Municipal Income Taxes	975,841	0	975,841	0
Interest and Fiscal Charges	(53,063)	(51,992)	(105,055)	0
Loss on Disposal of Capital Assets	(157,988)	0	(157,988)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>764,790</u>	<u>(51,992)</u>	<u>712,798</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions and Transfers</i>	<u>(811,287)</u>	<u>226,878</u>	<u>(584,409)</u>	<u>(593)</u>
Capital Contributions	233,500	124,991	358,491	0
Transfers In	121,277	0	121,277	0
Transfers Out	(5,420)	0	(5,420)	0
<i>Change in Net Position</i>	<u>(461,930)</u>	<u>351,869</u>	<u>(110,061)</u>	<u>(593)</u>
<i>Net Position Beginning of Year</i>	<u>17,793,652</u>	<u>9,111,253</u>	<u>26,904,905</u>	<u>593</u>
<i>Net Position End of Year</i>	<u><u>\$17,331,722</u></u>	<u><u>\$9,463,122</u></u>	<u><u>\$26,794,844</u></u>	<u><u>\$0</u></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, 2016

	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	\$2,798,553	\$2,827,774	\$5,626,327	\$0
Cash Received from Interfund Services Provided	0	0	0	1,914,396
Other Operating Revenues	26,748	90,069	116,817	0
Cash Payments to Suppliers for Materials and Supplies	(390,897)	(156,237)	(547,134)	0
Cash Payments for Employee Services and Benefits	(1,752,623)	(1,340,295)	(3,092,918)	0
Cash Payments for Contractual Services	(1,596,368)	(653,712)	(2,250,080)	(507,291)
Cash Payments for Claims	0	0	0	(1,407,105)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(914,587)</u>	<u>767,599</u>	<u>(146,988)</u>	<u>0</u>
Cash Flows from Noncapital Financing Activities				
Municipal Income Taxes	984,648	0	984,648	0
Cash loaned to Other Funds	(427,260)	0	(427,260)	0
Transfers In	121,277	0	121,277	0
Transfers Out	(5,420)	0	(5,420)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>673,245</u>	<u>0</u>	<u>673,245</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(226,808)	(34,179)	(260,987)	0
Capital Contributions	233,500	460,761	694,261	0
OPWC Loans Issued	60,492	0	60,492	0
Principal Paid on General Obligation Bonds	(51,000)	(25,500)	(76,500)	0
Principal Paid on OWDA Loans	(103,980)	(907,854)	(1,011,834)	0
Principal Paid on OPWC Loans	(42,374)	0	(42,374)	0
Principal Paid on Capital Leases	(38,349)	(19,284)	(57,633)	0
Interest Paid on General Obligation Bonds	(26,393)	(13,196)	(39,589)	0
Interest Paid on OWDA Loans	(25,160)	(38,053)	(63,213)	0
Interest Paid on Capital Leases	(1,102)	(540)	(1,642)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(221,174)</u>	<u>(577,845)</u>	<u>(799,019)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalent</i>	(462,516)	189,754	(272,762)	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,696,711</u>	<u>2,135,409</u>	<u>5,832,120</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,234,195</u>	<u>\$2,325,163</u>	<u>\$5,559,358</u>	<u>\$0</u>

(continued)

City of Ravenna, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2016

	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)	(\$1,576,077)	\$278,870	(\$1,297,207)	(\$593)
Adjustments:				
Depreciation	545,296	473,514	1,018,810	0
(Increase) Decrease in Assets:				
Accounts Receivable	(13,011)	(32,113)	(45,124)	593
Intergovernmental Receivable	(366)	4,574	4,208	0
Materials and Supplies Inventory	74,656	4,565	79,221	0
Interfund Receivable	0	0	0	(13,458)
Prepaid Items	2,168	791	2,959	0
(Increase) Decrease in Deferred Outflows - Pension	104,793	95,938	200,731	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(40,169)	(16,147)	(56,316)	0
Accrued Wages	4,351	2,940	7,291	0
Compensated Absences Payable	31,150	29,768	60,918	0
Interfund Payable	2,660	711	3,371	0
Intergovernmental Payable	(6,434)	(6,883)	(13,317)	0
Claims Payable	0	0	0	13,458
Net Pension Liability	(15,162)	(11,916)	(27,078)	0
Increase (Decrease) in Deferred Inflows - Pension	(28,442)	(57,013)	(85,455)	0
<i>Total Adjustments</i>	<u>661,490</u>	<u>488,729</u>	<u>1,150,219</u>	<u>593</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$914,587)</u>	<u>\$767,599</u>	<u>(\$146,988)</u>	<u>\$0</u>

Noncash Capital Financing Activities

During 2016, the Water and Sewer funds issued \$166,416 and \$83,208, respectively, for a capital lease purchase of a vector truck.

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$33,763</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$33,763</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, 2016

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 13 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 14 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, 2016

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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For the Year Ended December 31, 2016

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 deferred outflows of resources and all liabilities and deferred inflows of resources 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 and pension 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. The deferred outflows of resources related to pension are explained in Note 16.

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 until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 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, special assessments, charges for service and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 21. Deferred inflows of resources related to pension are reported on the government-wide statement of net pension (See Note 16).

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 2016, the City invested in STAR Ohio, repurchase agreements, federal home loan bank bonds, federal home loan mortgage notes and federal national mortgage association.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City also implemented GASB Statement No. 79 for 2016. The implementation of this

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GASB pronouncement had no effect on beginning net position/fund balance. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. The fair value of the money market fund is determined by the fund's current share price.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$74,259 which includes \$66,780 assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Bond Premiums and Discounts

On the government-wide and business-type financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. The straight-line method of amortization is not materially different from the effective-interest method. Bond premiums are presented as an increase of the face amount of the general obligation notes payable. On the fund financial statements, bond premiums are reported as other financing source in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. 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.

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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.

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.

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 acquisition 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.

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Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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.

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

City of Ravenna, Ohio
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equally 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.

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.

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.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
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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.

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.

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.

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

Note 3 – 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	\$59,184	\$0	\$13,817	\$0	\$0	\$11,246	\$84,247
Prepays	50,025	0	8,754	0	233	6,607	65,619
Unclaimed Monies	2,178	0	0	0	0	0	2,178
<i>Total Nonspendable</i>	<u>111,387</u>	<u>0</u>	<u>22,571</u>	<u>0</u>	<u>233</u>	<u>17,853</u>	<u>152,044</u>
<u>Restricted for:</u>							
Revolving Loans	0	7,546,407	0	0	0	0	7,546,407
Street Maintenance	0	0	1,121,361	0	0	732,046	1,853,407
Law Enforcement	0	0	0	0	0	24,516	24,516
Community Development	0	0	0	0	0	140,949	140,949
<i>Total Restricted</i>	<u>0</u>	<u>7,546,407</u>	<u>1,121,361</u>	<u>0</u>	<u>0</u>	<u>897,511</u>	<u>9,565,279</u>
<u>Committed to:</u>							
Ambulance Service	0	0	0	118,175	0	0	118,175
Recreation	0	0	0	0	0	180,059	180,059
Recycling	0	0	0	0	0	91,373	91,373
Capital Improvements	0	0	0	0	1,065,550	478,415	1,543,965
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>118,175</u>	<u>1,065,550</u>	<u>749,847</u>	<u>1,933,572</u>
<u>Assigned to:</u>							
<u>Purchases on Order:</u>							
Purchased Services	23,519	0	0	0	0	0	23,519
Unassigned (Deficit)	965,264	0	0	0	0	(427,260)	538,004
Total Fund Balances	<u><u>\$1,100,170</u></u>	<u><u>\$7,546,407</u></u>	<u><u>\$1,143,932</u></u>	<u><u>\$118,175</u></u>	<u><u>\$1,065,783</u></u>	<u><u>\$1,237,951</u></u>	<u><u>\$12,212,418</u></u>

Note 4 – Accountability

At December 31, 2016, the special assessment bond retirement debt service fund had a fund deficit of \$427,260. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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).
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	\$194,299	\$258,329	(\$30,838)	\$15,105
Net Adjustment for Revenue Accruals	143,941	(349,051)	(2,117)	(17,266)
Beginning Fair Value Adjustment for Investments	(84,985)	0	0	0
Ending Fair Value Adjustment for Investments	15,969	0	0	0
Advances In	36,058	0	0	4,250
Loan Payments Received	0	176,639	0	0
Net Adjustment for Expenditures Accruals	26,793	349,051	(48,382)	0
Advances Out	(4,250)	0	0	0
Loans Issued	0	(471,364)	0	0
Loans Written Off	0	38,192	0	0
Encumbrances	(29,568)	(15,688)	(8,286)	(2,089)
Budget Basis	<u>\$298,257</u>	<u>(\$13,892)</u>	<u>(\$89,623)</u>	<u>\$0</u>

Note 6 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active deposits are public monies 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 or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies held by the City 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, and Government National Mortgage 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 (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, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 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.

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.

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.

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The City has passed an ordinance allowing the City to invest 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;
3. Obligations of the City.

Deposits

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,491,383 of the City's bank balance of \$6,778,428 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, 2016, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Cost				
Repurchase Agreements	\$730,000	Less than 30 days	AAA	13.75 %
Net Asset Value Per Share				
STAR Ohio	482,128	Average 51.6 days	AAAm	N/A
Fair Value - Level Two Inputs				
Federal Home Loan Bank Bonds	573,245	Less than three years	AAA	10.80
Federal Home Loan Mortgage Notes	951,473	Less than one year	AAA	17.92
Federal National Mortgage Association Notes	2,572,654	Less than five years	AAA	48.45
Total Fair Value - Level Two Inputs	4,097,372			
Total	\$5,309,500			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2016. Repurchase agreements are measured at cost. STAR Ohio is measured at net asset value per share. The City's investments measured at

City of Ravenna, Ohio
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fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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

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, 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, 2016 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 \$5,684,261.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

City of Ravenna, Ohio
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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. 2016 public utility property taxes become a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$111,659,980
Other Real Estate	58,242,760
Tangible Personal Property	
Public Utility	4,874,100
Total Assessed Values	\$174,776,840

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 public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the general fund, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

Intergovernmental

The business-type activities intergovernmental receivable as of December 31, 2016, consists of the following:

Business-type Activities	Amounts
Portage County	\$3,219,298
Miscellaneous	601
Total	\$3,219,899

A summary of governmental activities intergovernmental receivables as of December 31, 2016, follows:

City of Ravenna, Ohio
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Governmental Activities	Amounts
Local Government	\$149,625
Gasoline and Excise Tax	109,278
Permissive Tax	60,102
Cents per Gallon Tax	56,988
Motor Vehicle License Tax	35,388
Homestead and Rollback	33,131
Ravenna City School District	12,842
Ohio Department of Transportation	12,608
Rootstown Township	6,062
State of Ohio	5,280
Miscellaneous	5,188
Emergency Medical Services Grant	4,250
SAFER Grants	3,800
Ravenna Township	3,688
WVFD Joint Fire District	1,910
Total	\$500,140

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, 2016 is \$3,219,298. 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 2.50 percent on substantially all income earned within the City. For 2016, the tax rate was 2.25 percent for the months of January through April. Beginning May 1, 2016 and moving forward, the rate was 2.50 percent, as voters approved a 0.25 percent tax levy. The City allows a credit of 100 percent for income tax paid to other municipalities and joint economic development districts, not to exceed 2.5 percent of taxable income. The maximum credit prior to May 1, 2016 was 2.25 percent.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. By City ordinance for 2016, the distribution of tax, by percentage of tax proceeds was as follows: general fund 56.65 percent, capital improvements and projects fund 7.56 percent, EMS special revenue fund 3.44 percent, street construction and repair special revenue fund 6.33 percent, roadway improvements fund 8.79 percent, recreation special revenue fund 4.31 percent, parks capital improvement fund 2.15 percent and water operations and capital enterprise fund 10.77 percent.

City of Ravenna, Ohio
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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 2016, 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	52,205,693
Zurich North American Surety	Bonds - Employees and Officials	100,000

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

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

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

The claims liability of \$146,403 reported in the internal service fund at December 31, 2016, 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 2015 and 2016 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2015	\$155,948	\$1,323,526	\$1,346,529	\$132,945
2016	132,945	1,420,563	1,407,105	146,403

Note 9 – 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
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Note 10 – Interfund Transactions

Interfund Balances

Interfund balances at December 31, 2016,

	Receivable		Payable	
	Manuscript Notes	Advances To Other Funds	Manuscript Notes	Advances From Other Funds
Governmental Funds				
General	\$0	\$4,250	\$0	\$81,400
Streets Construction, Maintenance and Repair	0	0	0	14,348
EMS	0	0	0	4,250
Other Governmental Funds	0	0	427,260	3,074
Enterprise Funds				
Water	427,260	0	0	27,963
Sewer	0	0	0	19,618
Internal Service Fund				
Self Insurance	0	146,403	0	0
<i>Grand Total</i>	<u>\$427,260</u>	<u>\$150,653</u>	<u>\$427,260</u>	<u>\$150,653</u>

The other governmental funds interfund balance represents a manuscript note that was issued on November 3, 2016 at 1.50 percent. This note is due on November 3, 2017 and was used to fund the Enterprise Parkway Project improvements.

The remaining interfund balances at December 31, 2016 consist of an interfund receivable/payable between the general fund and emergency medical service fund. 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 Transfers

Transfer To	Transfer From					Total
	Governmental Funds				Enterprise Fund	
	General	Revolving Loan	Capital Improvements	Other Governmental Funds	Water	
Governmental Funds						
Major Fund:						
Capital Improvements	\$200,000	\$69,912	\$0	\$463,463	\$5,420	\$738,795
Other Governmental Funds	0	0	12,687	38,063	0	50,750
Enterprise Funds						
Water	0	0	121,277	0	0	121,277
Total	<u>\$200,000</u>	<u>\$69,912</u>	<u>\$133,964</u>	<u>\$501,526</u>	<u>\$5,420</u>	<u>\$910,822</u>

City of Ravenna, Ohio
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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 11 - Contingencies

Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2016.

Litigation

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

Note 12 - Capital Leases

During 2016, the City had governmental lease agreements for two ambulances for the fire department, copy machines, a mailing system, a garage for the street department and vehicles for the police department. The lease agreements for the phone equipment and a vactor truck include both governmental and business-type activities. 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, 2016 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>	Governmental Activities	Business-type Activities
Buildings	\$600,000	\$0
Vehicles	541,701	249,624
Historical Cost	1,141,701	249,624
Less: Accumulated Depreciation	(354,733)	(14,294)
Total Book Value as of December 31, 2016	<u>\$786,968</u>	<u>\$235,330</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:

City of Ravenna, Ohio
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Year Ending December 31,	Governmental Activities	Business-type Activities
2017	\$184,760	\$58,325
2018	141,218	58,341
2019	134,473	57,855
2020	54,931	52,526
2021	36,000	0
2022-2024	81,000	0
Total Minimum Lease Payments	632,382	227,047
Less: Amount Representing Interest	(18,152)	(12,686)
Present Value of Minimum Lease	<u>\$614,230</u>	<u>\$214,361</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. The leases are secured by the related property.

Note 13 - 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 2016, the City contributed \$3,730, which represents 5 percent of the total contribution. Financial information can be obtained from the Portage County Office of Homeland Security and Emergency Management Agency, Ryan Shackelford, 8240 Infirmary Road, Ravenna, Ohio 44266.

Note 14 - 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 2016 was 56.0 percent. During 2016, \$161,022 was paid by the City for operating expenses and capital outlay. Complete financial statements may be obtained from the Maple Grove Union Cemetery, Ravenna, Ohio.

City of Ravenna, Ohio
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Note 15 - Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,704,766	\$0	\$0	\$1,704,766
Construction in progress	50,215	345,019	0	395,234
Total capital assets not being depreciated	<u>1,754,981</u>	<u>345,019</u>	<u>0</u>	<u>2,100,000</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	3,585,342	38,550	0	3,623,892
Vehicles	3,611,545	476,179	(394,744)	3,692,980
Infrastructure:				
Streets	43,658,323	0	0	43,658,323
Storm Drains	4,771,740	0	0	4,771,740
Sidewalks	8,683,603	0	0	8,683,603
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	4,556,801	0	0	4,556,801
Total capital assets being depreciated	<u>76,030,107</u>	<u>514,729</u>	<u>(394,744)</u>	<u>76,150,092</u>
Accumulated depreciation				
Buildings	(3,106,716)	(80,865)	0	(3,187,581)
Improvements other than Buildings	(365,831)	(22,344)	0	(388,175)
Furniture, Fixtures and Equipment	(2,108,064)	(99,189)	0	(2,207,253)
Vehicles	(2,589,444)	(221,900)	394,744	(2,416,600)
Infrastructure:				
Streets	(21,831,654)	(722,020)	0	(22,553,674)
Storm Drains	(2,626,330)	(36,862)	0	(2,663,192)
Sidewalks	(4,344,775)	(217,685)	0	(4,562,460)
Fire Hydrants	(737,593)	(20,531)	0	(758,124)
Traffic Lights	(714,796)	(147,444)	0	(862,240)
Total accumulated depreciation	<u>(38,425,203)</u>	<u>(1,568,840) *</u>	<u>394,744</u>	<u>(39,599,299)</u>
Capital assets being depreciated, net	<u>37,604,904</u>	<u>(1,054,111)</u>	<u>0</u>	<u>36,550,793</u>
Governmental activities capital assets, net	<u>\$39,359,885</u>	<u>(\$709,092)</u>	<u>\$0</u>	<u>\$38,650,793</u>

City of Ravenna, Ohio
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For the Year Ended December 31, 2016

* Depreciation expense was charged to governmental activities as follows:

General Government	\$19,638
Security of Persons and Property:	
Police	81,284
Fire	114,784
Leisure Time Activities	40,317
Public Health and Welfare	20,475
Community Environment	265,497
Transportation	990,084
Basic Utility Services	36,761
Total	\$1,568,840

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16
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	(1,259,108)	6,491,616
Improvements other than Buildings	14,614,297	0	0	14,614,297
Furniture, Fixtures and Equipment	10,582,934	226,808	0	10,809,742
Vehicles	179,189	283,803	0	462,992
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	55,511,046	510,611	(1,259,108)	54,762,549
Accumulated depreciation				
Buildings	(4,092,775)	(132,753)	1,101,120	(3,124,408)
Improvements other than Buildings	(9,246,243)	(367,109)	0	(9,613,352)
Furniture, Fixtures and Equipment	(3,157,830)	(263,627)	0	(3,421,457)
Vehicles	(66,559)	(25,277)	0	(91,836)
Infrastructure:				
Water Lines	(7,109,094)	(167,464)	0	(7,276,558)
Sewer Lines	(3,256,955)	(62,580)	0	(3,319,535)
Total accumulated depreciation	(26,929,456)	(1,018,810)	1,101,120	(26,847,146)
Capital assets being depreciated, net	28,581,590	(508,199)	(157,988)	27,915,403
Business-type activities capital assets, net	\$30,146,850	(\$508,199)	(\$157,988)	\$29,480,663

City of Ravenna, Ohio
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Note 16 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$477,622 for 2016. Of this amount, \$76,731 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$567,124 for 2016. Of this amount, \$92,873 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0303530%	0.1316150%	
Prior Measurement Date	<u>0.0314700%</u>	<u>0.1327447%</u>	
Change in Proportionate Share	<u>-0.0011170%</u>	<u>-0.0011297%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,257,523	\$8,466,885	\$13,724,408
Pension Expense	\$696,151	\$1,142,407	\$1,838,558

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,545,383	\$1,378,084	\$2,923,467
Changes in proportion and differences between City contributions and proportionate share of contributions	30,683	0	30,683
City contributions subsequent to the measurement date	<u>477,622</u>	<u>567,124</u>	<u>1,044,746</u>
Total Deferred Outflows of Resources	<u>\$2,053,688</u>	<u>\$1,945,208</u>	<u>\$3,998,896</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$101,586	\$23,775	\$125,361
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>119,571</u>	<u>46,953</u>	<u>166,524</u>
Total Deferred Inflows of Resources	<u>\$221,157</u>	<u>\$70,728</u>	<u>\$291,885</u>

\$1,044,746 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2017	\$296,977	\$349,259	\$646,236
2018	321,687	349,259	670,946
2019	386,524	349,259	735,783
2020	349,721	270,344	620,065
2021	0	(9,047)	(9,047)
2022	0	(1,718)	(1,718)
Total	<u>\$1,354,909</u>	<u>\$1,307,356</u>	<u>\$2,662,265</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the County’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability	\$8,376,517	\$5,257,523	\$2,626,749

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Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

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Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$11,166,688	\$8,466,885	\$6,179,887

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Note 17 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

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In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015 and 2014 was \$79,604, \$79,039 and \$80,735 respectively. For 2016, 83.93 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (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. The 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 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 employer units. Active members do not make contributions to the OPEB Plan.

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 administered 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.

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The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contribution 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 is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF for the years ended December 31, 2016, 2015 and 2014 were \$580,660, \$576,707, and \$568,796 respectively, of which \$13,536, \$13,481, and \$13,268 respectively, was allocated to the healthcare plan. For 2016, 83.62 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Note 18 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
<i>OPWC Loans:</i>			
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%	127,224	2035
South Diamond Waterline - 2015	0.00%	50,000	2036
Oakgrove, Riddle, and Peck Waterline	0.00%	N/A	N/A

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Debt Issue	Interest Rate	Original Issue	Year of Maturity		
Business-Type Activities					
<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>					
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>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		
				Outstanding	Amounts
				12/31/15	Due in
				Additions	One Year
				(Reductions)	Outstanding
				12/31/16	One Year
Business Type Activities					
OPWC Loans					
Hayes Road Waterline	\$12,111	\$0	(\$3,460)	\$8,651	\$3,462
Highland Avenue Reconstruction	8,956	0	(1,791)	7,165	1,791
Lake Avenue Water and Storm Loan	11,458	0	(1,527)	9,931	1,528
Chestnut and Washington					
Water and Storm Sewers	30,000	0	(2,500)	27,500	2,500
West Main Street Waterline Replacement	31,250	0	(2,500)	28,750	2,500
Ravenna Area Water Improvements	12,016	0	(890)	11,126	890
New Milford Road Waterline	15,817	0	(1,129)	14,688	1,130
Clinton and Lafayette Waterline	69,900	0	(4,236)	65,664	4,237
Cleveland Road	11,786	0	(673)	11,113	674
North Diamond Water and Storm	273,931	0	(14,807)	259,124	14,807
Sycamore and Mill Water	124,043	0	(6,361)	117,682	6,361
South Diamond Waterline	50,000	0	(2,500)	47,500	2,500
Oakgrove, Riddle and Peck Waterlines	0	60,492	0	60,492	0
<i>Total OPWC Loans</i>	<u>651,268</u>	<u>60,492</u>	<u>(42,374)</u>	<u>669,386</u>	<u>42,380</u>
OWDA Loans					
Lovers Lane Windmill Sewer	129,078	0	(16,348)	112,730	17,000
Kent/Ravenna Emergency Waterline	237,206	0	(26,035)	211,171	26,994
WWTP Expansion	8,166,389	0	(891,506)	7,274,883	895,433
Water Meters	703,753	0	(77,945)	625,808	80,618
<i>Total OWDA Loans</i>	<u>9,236,426</u>	<u>0</u>	<u>(1,011,834)</u>	<u>8,224,592</u>	<u>1,020,045</u>
General Obligation Bonds					
Energy Conservation Improvement Bonds	1,566,000	0	(76,500)	1,489,500	78,000
Premium on Energy Conservation					
Improvement Bonds	23,829	0	(1,402)	22,427	0
<i>Total General Obligation Bonds</i>	<u>\$1,589,829</u>	<u>\$0</u>	<u>(\$77,902)</u>	<u>\$1,511,927</u>	<u>\$78,000</u>

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Outstanding 12/31/15	Additions	(Reductions)	Outstanding 12/31/16	Amounts Due in One Year
Business Type Activities					
<i>Other Long-term Liabilities:</i>					
Net Pension Liabilities - OPERS:					
Water	\$1,062,778	\$409,330	\$0	\$1,472,108	\$0
Sewer	948,910	207,744	0	1,156,654	0
Total Net Pension Liability - OPERS	2,011,688	617,074	0	2,628,762	0
Capital Leases	22,370	249,624	(57,633)	214,361	53,706
Compensated Absences	179,978	139,197	(78,279)	240,896	80,565
<i>Total Other Long-term Liabilities</i>	<u>2,214,036</u>	<u>1,005,895</u>	<u>(135,912)</u>	<u>3,084,019</u>	<u>134,271</u>
<i>Total Business Type Activities</i>	<u>\$13,691,559</u>	<u>\$1,066,387</u>	<u>(\$1,268,022)</u>	<u>\$13,489,924</u>	<u>\$1,274,696</u>
Governmental Activities					
General Obligation Bonds					
Municipal Building Improvement	\$315,000	\$0	(\$35,000)	\$280,000	\$35,000
Energy Conservation Improvement Bonds	3,654,000	0	(178,500)	3,475,500	182,000
Premium on Energy Conservation Improvement Bonds	55,603	0	(3,271)	52,332	0
<i>Total General Obligation Bonds</i>	<u>4,024,603</u>	<u>0</u>	<u>(216,771)</u>	<u>3,807,832</u>	<u>217,000</u>
Library Bonds					
Reed Memorial Library Refunding Serial Bonds	3,120,000	0	(165,000)	2,955,000	170,000
Reed Memorial Library Refunding Term Bonds	610,000	0	0	610,000	0
Discount on Reed Memorial Library Refunding Bonds	(25,375)	0	1,450	(23,925)	0
Premium on Reed Memorial Library Refunding Bonds	96,061	0	(5,489)	90,572	0
<i>Total Library Bonds</i>	<u>3,800,686</u>	<u>0</u>	<u>(169,039)</u>	<u>3,631,647</u>	<u>170,000</u>
<i>Other Long-term Liabilities:</i>					
Net Pension Liability					
OPERS	1,783,947	844,814	0	2,628,761	0
OP&F	6,876,729	1,590,156	0	8,466,885	0
Total Net Pension Liability	8,660,676	2,434,970	0	11,095,646	0
Capital Leases	623,363	188,631	(197,764)	614,230	175,548
Compensated Absences	724,265	476,245	(394,053)	806,457	387,633
Total Other Long-term Liabilities	<u>10,008,304</u>	<u>3,099,846</u>	<u>(591,817)</u>	<u>12,516,333</u>	<u>563,181</u>
<i>Total Governmental Activities</i>	<u>\$17,833,593</u>	<u>\$3,099,846</u>	<u>(\$977,627)</u>	<u>\$19,955,812</u>	<u>\$950,181</u>

General obligation bonds will be paid from the proceeds of municipal income tax.

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, respectively. The bonds were issued for a twenty year period with a final maturity at December 1, 2033.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

OWDA loans will be paid from the water and sewer enterprise funds. OPWC loans will be paid from the water and sewer enterprise funds. 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. There is no repayment schedule for the net pension liability. However, employer pension contributions are made 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. For additional information related to the net pension liability see Note 16.

The City has entered into a contractual agreement for a construction loan from OPWC. Under the terms of the agreement, OPWC will reimburse, advance or directly pay the construction costs of the approved project. OPWC will capitalize administrative costs and construction interest and add them to the total amount of the final loan. The loan will not have an accurate repayment schedule until the loan is finalized and, therefore, it is not included in the schedule of future annual debt service requirements. As of December 31, 2016, the balance of the OPWC loan for Oakgrove, Riddle and Peck Waterlines project was \$60,492.

The City's overall legal debt margin was \$14,506,568 at December 31, 2016. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Business-Type Activities

	OPWC Loans	OWDA Loans		Energy Conservation General Obligation Bonds	
	Principal	Principal	Interest	Principal	Interest
2017	\$42,380	\$1,020,045	\$58,591	\$78,000	\$38,059
2018	42,376	1,028,427	50,875	79,500	36,499
2019	40,647	1,036,982	43,008	81,000	34,909
2020	38,918	1,045,720	34,984	82,500	33,289
2021	37,126	1,054,647	26,798	84,000	31,639
2022-2026	180,281	3,038,771	31,575	454,500	126,581
2027-2031	154,754	0	0	517,500	62,828
2032-2035	72,412	0	0	112,500	3,375
Total	\$608,894	\$8,224,592	\$245,831	\$1,489,500	\$367,179

Governmental Activities

	General Obligation Bonds		Library Bonds	
	Principal	Interest	Principal	Interest
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	232,500	86,173	180,000	101,244
2021	236,000	80,323	185,000	97,644
2022-2026	1,150,500	302,106	990,000	417,254
2027-2031	1,207,500	146,598	1,160,000	247,918
2032-2033	262,500	7,875	535,000	32,401
Total	\$3,755,500	\$915,246	\$3,565,000	\$1,225,993

Note 19 – Notes Payable

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

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16
Governmental Activities:				
3.00% 2015 Enterprise Parkway Note	\$450,000	\$0	\$450,000	\$0

The notes matured on November 3, 2016 and were paid out of the capital improvements fund.

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

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	\$29,568	Water	\$131,959
Revolving Loan	15,688	Sewer	323,619
Street Construction Maintenance and Repair	8,286	Total Proprietary	<u>\$455,578</u>
EMS	2,089		
Capital Improvements	386,612		
Other Governmental Funds	348,916	Agency Funds:	<u>\$32,400</u>
Total Governmental Funds	<u>\$791,159</u>		

Note 22 – Tax Abatements

As of December 31, 2016, the City of Ravenna offers real property tax incentives via two programs; The Community Reinvestment Area (CRA) and Enterprise Zone Agreements.

Community Reinvestment Area (CRA)

New for 2016 and pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area that includes a specific area of downtown commercial and residential properties. The City authorizes incentives through passage of public ordinances, based on each businesses investment

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the CRA was designed to maintain and expand business in the downtown area and promote job creation.

Enterprise Zone Agreements

Though the program established by Ohio Development Services, the City also offers property tax abatement through Enterprise Zones in accordance with Ohio Revised Code Chapter 5709. Limited by statute to Manufacturing and Industrial application only, the City of Ravenna creates individual Enterprise Zone Agreements for each specific business based on real property investment and anticipated job creation. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill.

Compliance & Monitoring

Both the CRA and Enterprise Zone Agreement recipients have annual reporting requirements that are to be filed, and heard by the respective Boards of Review prior the end of the first quarter following the end of a calendar year. The compliance reviews ensure that businesses receiving tax incentives are meeting both the levels of monetary investment, and the job creation numbers projected at the time of application.

School Revenue Sharing

The City of Ravenna currently has a blanket revenue sharing agreement for all Enterprise Zone Agreements and will be creating one for the newly implemented CRA. It has been the policy of the City to engage Ravenna Schools in all property tax abatement scenarios in an effort to balance the City's economic development needs with the impact that potential tax abatements will have on the School's finances. For 2016, the City has one CRA application on file that has yet to begin project construction and will be creating a School revenue sharing agreement for CRAs in the near future.

Abatements Granted in 2016

Ravenna City Council, by ordinance, acknowledged and approved the recommendations of the City's Tax Incentive Review Council granting the following Enterprise Zone Agreement tax abatements in 2016:

<u>Tax Abatement Program</u>	<u>Total Amount of Property Taxes Forgone (Abated) For Year 2016</u>
Manufacturing	\$ 43,973

City of Ravenna, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 23 – Change in Accounting Principle

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 77, “Tax Abatement Disclosures,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City’s financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City’s financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Required Supplementary Information

City of Ravenna, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
*Last Three Years (1)**

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0303530%	0.0314700%	0.0314700%
City's Proportionate Share of the Net Pension Liability	\$5,257,523	\$3,795,635	\$3,709,903
City's Covered Payroll	\$3,777,750	\$3,858,183	\$4,069,506
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.17%	98.38%	91.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

City of Ravenna, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Police and Fire Pension Fund
*Last Three Years (1)**

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1316150%	0.1327447%	0.1327447%
City's Proportionate Share of the Net Pension Liability	\$8,466,885	\$6,876,729	\$6,465,083
City's Covered Payroll	\$2,689,412	\$2,654,800	\$2,608,513
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	314.82%	259.03%	247.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

City of Ravenna, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$477,622	\$453,330	\$462,982	\$529,036
Contributions in Relation to the Contractually Required Contribution	<u>(477,622)</u>	<u>(453,330)</u>	<u>(462,982)</u>	<u>(529,036)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,980,183	\$3,777,750	\$3,858,183	\$4,069,506
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

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City of Ravenna, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$567,124	\$563,226	\$555,528	\$464,473
Contributions in Relation to the Contractually Required Contribution	<u>(567,124)</u>	<u>(563,226)</u>	<u>(555,528)</u>	<u>(464,473)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,707,131	\$2,689,412	\$2,654,800	\$2,608,513
Contributions as a Percentage of Covered Payroll	20.95%	20.94%	20.93%	17.81%

2012	2011	2010	2009	2008	2007
\$377,712	\$376,599	\$384,297	\$406,534	\$398,300	\$376,450
(377,712)	(376,599)	(384,297)	(406,534)	(398,300)	(376,450)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,568,072	\$2,550,162	\$2,602,288	\$2,759,528	\$2,703,664	\$2,556,553
14.71%	14.77%	14.77%	14.73%	14.73%	14.72%

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**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, Ohio (the “City”), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated August 30, 2017.

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 + Panichi, Inc.

Cleveland, Ohio
August 30, 2017

City of Ravenna, Ohio

Schedule of Findings

For the Year Ended December 31, 2016

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

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

None noted.

City of Ravenna, Ohio

Schedule of Prior Year Findings

For the Year Ended December 31, 2016

Finding No.	Finding Summary	Fully Corrected	Explanation
2015-001	<p><i>Material Weakness in internal control</i></p> <p>We noted the client restated its previously reported accumulated depreciation and net position due to an error in the original assignment of the useful life of a building. The restatement was required as the adjustment was material in nature.</p> <p>The internal control structure and processes should provide for the accurate reporting of the useful life assignment to capital assets in compliance with the City's capitalization and useful life policies.</p> <p>Controls were not in place to ensure compliance with the City's capitalization and useful life policies.</p> <p>The lack of controls over the posting of capital asset useful lives can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.</p> <p>We recommend the City adopts procedures for controls over the assignment of capital asset useful lives to help ensure the information accurately reflects the policies of the City thereby increasing the reliability of the financial data at year-end.</p>	Yes	The City adopted procedures for controls over the assignment of capital asset useful lives to help ensure the information accurately reflects the policies of the City thereby increasing the reliability of the financial data at year-end.



Dave Yost • Auditor of State

CITY OF RAVENNA

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 17, 2017**