

# **City of Ravenna, Ohio**

**Basic Financial Statements  
For The Year Ended December 31, 2017**





# 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, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

September 12, 2018

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# City of Ravenna, Ohio

For The Year Ended December 31, 2017

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# City of Ravenna, Ohio

For The Year Ended December 31, 2017

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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, 2017, 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, 2017, 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, and the related note on pages 74 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, 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 the effectiveness of the City's 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  
June 29, 2018



**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

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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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- The stabilization of the general fund was the highlight of 2017, as the long-struggling fund finished strong as a result of the increased revenue provided by the 2016 safety levy. The levy combined with an uptick in the local economy enabled the general fund to finish the year with a better than anticipated operating surplus as detailed below.
- On the economic development front, a major entertainment project got underway in the City's downtown as the *Ravenna 7* Theater Complex began construction. In addition to serving as what is hoped to be a catalyst for downtown retail development, the project represents the first participant in a tax incentive program associated with the City's newly formed Community Reinvestment Area.
- The City's net capital assets decreased due to annual depreciation which was partially offset by current year additions. Governmental and business-type capital assets capital asset additions consisted of construction in progress, improvements, various pieces of equipment, vehicles and infrastructure.
- Long-term debt obligations decreased from 2016 due to the continued pay-down of debt including general obligation bonds, OPWC and OWDA loans and capital leases.

***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*  
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***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 2017?" 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, 2017*  
*Unaudited*

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**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 2017 compared to 2016.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and Other Assets	\$16,618,912	\$15,613,188	\$10,435,203	\$10,140,910	\$27,054,115	\$25,754,098
Capital Assets, Net	37,632,217	38,650,793	29,374,994	29,480,663	67,007,211	68,131,456
Total Assets	54,251,129	54,263,981	39,810,197	39,621,573	94,061,326	93,885,554
<b>Deferred Outflow of Resources</b>						
Deferred Charge on Refunding Pension	109,841	116,927	0	0	109,841	116,927
	2,769,308	2,987,394	1,359,512	1,011,502	4,128,820	3,998,896
Total Deferred Outflows of Resources	2,879,149	3,104,321	1,359,512	1,011,502	4,238,661	4,115,823
<b>Liabilities</b>						
Current Liabilities	1,013,838	842,816	196,122	177,943	1,209,960	1,020,759
Long-Term Liabilities						
Due Within One Year	908,447	950,181	1,309,719	1,274,696	2,218,166	2,224,877
Due in More Than One Year						
Net Pension Liability	11,689,917	11,095,646	3,495,945	2,628,762	15,185,862	13,724,408
Other Amounts	7,566,360	7,909,985	8,444,984	9,586,466	16,011,344	17,496,451
Total Liabilities	21,178,562	20,798,628	13,446,770	13,667,867	34,625,332	34,466,495
<b>Deferred Inflow of Resources</b>						
Property Taxes	533,848	526,649	0	0	533,848	526,649
Pension	179,147	121,521	85,205	170,364	264,352	291,885
Total Deferred Inflows of Resources	712,995	648,170	85,205	170,364	798,200	818,534
<b>Net Position</b>						
Net Investment in Capital Assets	33,609,710	34,345,072	19,889,872	18,899,033	53,499,582	53,244,105
Restricted for:						
Revolving Loans	7,474,318	7,546,407	0	0	7,474,318	7,546,407
Street Construction,						
Maintenance and Repair	1,105,414	1,264,893	0	0	1,105,414	1,264,893
State Highway	52,096	54,162	0	0	52,096	54,162
Other Purposes	1,003,057	920,270	0	0	1,003,057	920,270
Unrestricted (Deficit)	(8,005,874)	(8,209,300)	7,747,862	7,895,811	(258,012)	(313,489)
Total Net Position	\$35,238,721	\$35,921,504	\$27,637,734	\$26,794,844	\$62,876,455	\$62,716,348

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 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, 2017*  
*Unaudited*

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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.

Net position of governmental activities decreased from the prior year due mainly to an increase in the net pension liability as well as to a decrease in net capital assets resulting from annual depreciation exceeding current year additions. This decrease was partially offset by an increase in cash and cash equivalents attributable to an increase in income tax revenues.

Net position of business-type activities increased from the prior year. The increase in business-type activities was largely due a drop in long-term debt obligations achieved through annual debt payments. The increase in net position was partially offset by an increase in the net pension liability.

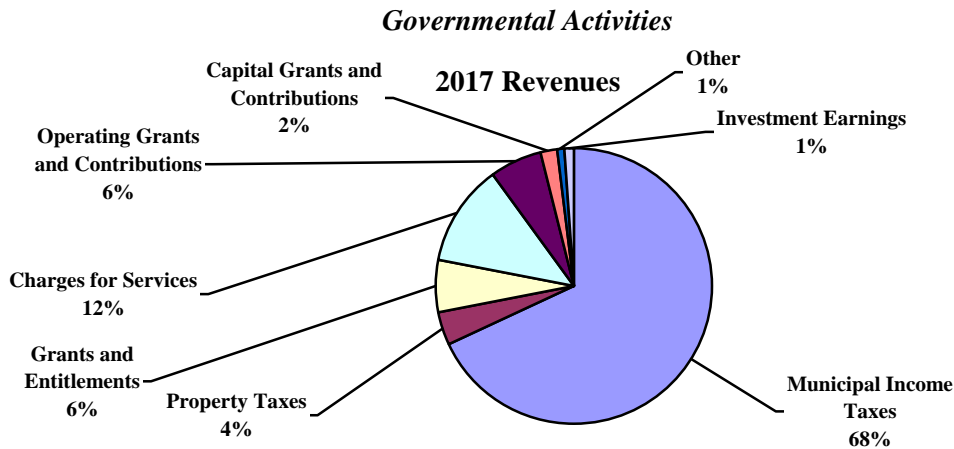
In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2017 and 2016.

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

**Table 2**  
*Change in Net Position*

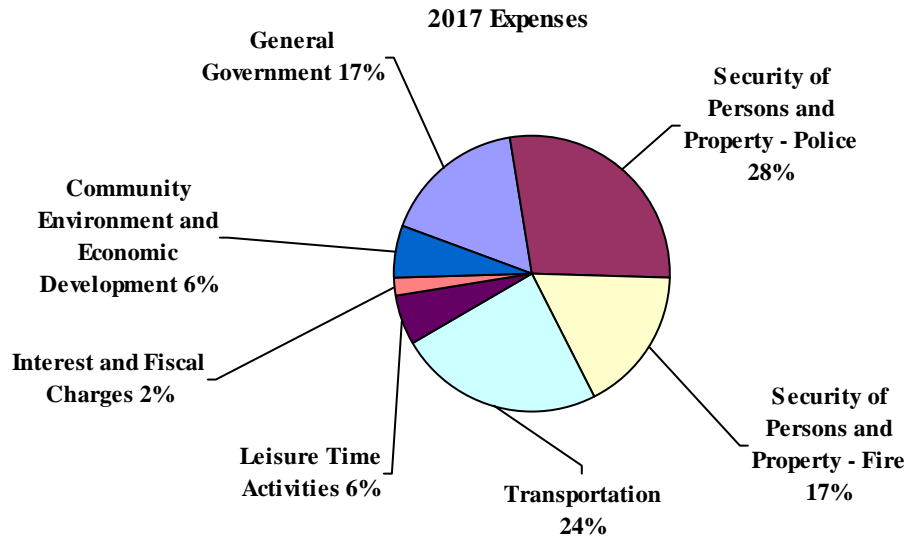
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for Services and Assessments	\$1,524,607	\$1,605,810	\$5,738,914	\$5,669,108	\$7,263,521	\$7,274,918
Operating Grants and Contributions	847,211	1,238,561	0	0	847,211	1,238,561
Capital Grants and Contributions	282,543	175,768	313,608	358,491	596,151	534,259
Total Program Revenues	2,654,361	3,020,139	6,052,522	6,027,599	8,706,883	9,047,738
General Revenues						
Property Taxes	548,126	538,725	0	0	548,126	538,725
Income Taxes	8,916,876	8,099,042	1,009,238	975,841	9,926,114	9,074,883
Grants and Entitlements	731,915	729,320	0	0	731,915	729,320
Unrestricted Contributions	2,500	11,335	0	0	2,500	11,335
Interest	116,356	110,489	8,939	0	125,295	110,489
Other	113,877	85,002	120,596	114,952	234,473	199,954
Total General Revenues	10,429,650	9,573,913	1,138,773	1,090,793	11,568,423	10,664,706
Total Revenues	13,084,011	12,594,052	7,191,295	7,118,392	20,275,306	19,712,444
<b>Program Expenses</b>						
General Government	2,327,742	1,545,045	0	0	2,327,742	1,545,045
Security of Persons and Property:						
Police	3,896,448	3,701,673	0	0	3,896,448	3,701,673
Fire	2,330,281	2,418,704	0	0	2,330,281	2,418,704
Leisure Time Activities	776,487	672,770	0	0	776,487	672,770
Public Health and Welfare	20,475	20,487	0	0	20,475	20,487
Community Environment	606,293	627,623	0	0	606,293	627,623
Transportation	3,379,515	2,844,739	0	0	3,379,515	2,844,739
Basic Utility Services	28,785	36,969	0	0	28,785	36,969
Economic Development	279,115	57,050	0	0	279,115	57,050
Interest and Fiscal Charges	234,653	248,271	0	0	234,653	248,271
Water	0	0	3,513,807	4,625,806	3,513,807	4,625,806
Sewer	0	0	2,721,598	2,718,504	2,721,598	2,718,504
Total Program Expenses	13,879,794	12,173,331	6,235,405	7,344,310	20,115,199	19,517,641
Excess of Revenues Over (Under) Expenses	(795,783)	420,721	955,890	(225,918)	160,107	194,803
Transfers	113,000	(115,857)	(113,000)	115,857	0	0
Change in Net Position	(682,783)	304,864	842,890	(110,061)	160,107	194,803
Net Position Beginning of Year	35,921,504	35,616,640	26,794,844	26,904,905	62,716,348	62,521,545
Net Position End of Year	\$35,238,721	\$35,921,504	\$27,637,734	\$26,794,844	\$62,876,455	\$62,716,348

**City of Ravenna, Ohio**  
*Management's Discussion and Analysis*  
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*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 2017, annual income tax receipts remain more than half of all governmental fund revenues at 68 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. The City continues to maintain its stance of actively pursuing all forms of grants available.



Major expense activities continue to be:

Security of persons and property (Police and Fire) is the City's largest cost center, accounting for 45 percent of all governmental activity expenses. The second largest cost component, transportation, finished at 24 percent of total governmental expenses.

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

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***Business-Type Activities***

Business-type activities include the City's water and sewer operations. As noted in prior years, the City's ability to take on additional debt was enabled by the cooperative agreement with Portage County to share the cost of upgrading the Wastewater Treatment Plant Facility to handle additional capacity. As a result of this agreement, the City relies on the County for over \$460,000 in debt service participation annually.

***Governmental Funds***

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

At the end of 2017, the City of Ravenna reported combined governmental fund balances of \$12,945,893. Of this amount, \$1,440,941 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. The general fund had an increase in fund balance due mainly to an increase in income tax revenue. The revolving loan special revenue fund balance decreased due to higher economic development project expenditures in 2017. The street construction, maintenance and repair special revenue fund had a decrease in fund balance due to carrying the required fuel inventory to accommodate sales to entities purchasing gas and diesel fuel from the City. The EMS special revenue fund had a decrease in fund balance due to a drop in charges for services revenue. For 2017, the decrease in the ending fund balance in the capital improvement fund was due to higher expenditures as well as to a drop in transfers in.

***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 2017 general fund revenues including other financing sources were budgeted at \$6,940,106 and final budgeted revenues including other financing sources were \$6,944,106. 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.



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**Capital Assets and Debt Administration**

*Capital Assets*

Table 3 shows 2017 balances of capital assets as compared to 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$1,704,766	\$1,704,766	\$1,565,260	\$1,565,260	\$3,270,026	\$3,270,026
Construction in Progress	88,232	395,234	391,145	0	479,377	395,234
Buildings	1,784,254	1,874,397	3,239,141	3,367,208	5,023,395	5,241,605
Improvements other than Buildings	171,546	177,000	4,639,733	5,000,945	4,811,279	5,177,945
Furniture, Fixtures and Equipment	1,393,329	1,416,639	7,514,150	7,388,285	8,907,479	8,804,924
Vehicles	1,244,273	1,276,380	467,170	371,156	1,711,443	1,647,536
Infrastructure	31,245,817	31,806,377	11,558,395	11,787,809	42,804,212	43,594,186
Total Capital Assets	<u>\$37,632,217</u>	<u>\$38,650,793</u>	<u>\$29,374,994</u>	<u>\$29,480,663</u>	<u>\$67,007,211</u>	<u>\$68,131,456</u>

Total capital assets for governmental-type activities of the City of Ravenna decreased from 2016 due to annual depreciation outpacing additions. This decrease was partially offset by continuing construction projects, improvements, the purchase of various equipment, vehicles and infrastructure in 2017. Total capital assets for business-type activities also decreased as a result of current year additions being exceeded by annual depreciation. 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, 2017, the City of Ravenna had governmental bonds, net pension liability, capital leases and compensated absences outstanding. The Library bonds account for \$3,457,608, or 17.15 percent of the total governmental activities. At December 31, 2017, the City had \$13,250,648 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$3,587,561	\$3,807,832	\$1,432,525	\$1,511,927	\$5,020,086	\$5,319,759
Library Bonds	3,457,608	3,631,647	0	0	3,457,608	3,631,647
OPWC Loans	0	0	630,670	669,386	630,670	669,386
OWDA Loans	0	0	7,204,547	8,224,592	7,204,547	8,224,592
Net Pension Liability	11,689,917	11,095,646	3,495,945	2,628,762	15,185,862	13,724,408
Capital Leases	527,240	614,230	249,218	214,361	776,458	828,591
Compensated Absences	902,398	806,457	237,743	240,896	1,140,141	1,047,353
Total	<u>\$20,164,724</u>	<u>\$19,955,812</u>	<u>\$13,250,648</u>	<u>\$13,489,924</u>	<u>\$33,415,372</u>	<u>\$33,445,736</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 \$16,707,116.

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 2003 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 2017 the City was provided a first-hand look at the revenue potential of the 2016 safety levy as income tax receipts exceeded expectations for the year. In addition to the new one-quarter percent safety tax imposed, a variety of factors contributed to the surge in overall tax receipts. Total income tax revenues finished 6 percent over budget for the year as both employee withholding and business net profit taxes outpaced forecasts. Both safety levy-specific receipts and non-safety levy revenues not including advances produced a \$288,688 increase in total general fund revenues over budget. In addition to the uptick in withholding and net profit taxes mentioned above, total income tax receipts were further boosted by increased penalty and interest on collectible accounts. Of the total amount that income tax receipts finished above budget, 11.6 percent was penalties and interest collected by the RITA agency on the City's behalf.

In addition to the numbers cited above, an external factor that impacted income tax receipts in 2017 was the state of our local economy. One such indicator was corporate estimated tax payments made in 2017. It does need to be noted, however, that it will be interesting to see if the 2018 federal tax cuts have any impact on estimated tax revenues for the coming year. Another local economic indicator is the strength of payroll taxes, or employee withholding tax. Consistent with historical trends, employee withholding revenue in 2017 accounted for 82.3 percent of total gross tax receipts.

Overall the general fund maintained its other core revenues as property taxes and franchise fees held steady. The ongoing saga of local government funds (LGF) saw the State component of LGF drop to under \$7,000 for the year. With the loss of this State component in its entirety in 2018, the City's annual LGF revenue projects out to be just under \$300,000 per year. In addition to the loss of the State component, 2017 was the last year for Portage County's local government fund political subdivision "Alternate Formula" distribution, meaning 2018 may bring even more reductions based on the outcome of any adjustments or changes made to the formula.

For 2017, total general fund revenue and other financing sources finished at \$7,228,994 versus a budgeted number of \$6,994,106. This \$284,888 increase represents a 4.1 percent increase over plan. Looking at 2017 versus 2016 actual revenues, total general fund receipts were up, which was a direct result of the safety levy producing close to \$500,000 of the increase in a near-full year of taxation.

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On the expense side, general fund expenses finished under the final budget for 2017 with appropriations including other financing uses ending at \$6,896,973 for the year, and total actual expenditures including other financing uses coming in at \$6,310,390. The lion's share of gap between actual and budget was in the area of healthcare costs. Total general fund healthcare costs finished \$164,774, or 15.8 percent below projections. As noted in past reports, the City is self-insured and for 2017, claims payable were well below the maximum liability exposure the annual budget provided for. A second material cost reduction was in the area of workers compensation. A substantial one-time BWC premium rebate coupled with a credit for the subrogation of a previously paid claim produced a direct general fund savings of \$80,246.

The balance of the expenditure reductions was spread throughout the general fund. Including those healthcare and workers comp savings cited above, all departments in the general fund finished under final budget as follows:

	Budget	Actual	Variance
General Government	\$1,615,235	\$1,436,289	\$178,946
Security of Persons and Property			
Police	3,650,210	3,442,463	207,747
Fire	1,466,928	1,313,995	152,933
Community Environment	47,000	13,383	33,617
Total General Fund Expenditures	\$6,779,373	\$6,206,130	\$573,243

In summary, 2017 proved to be a turning point for the general fund and the City of Ravenna as a whole. As the year began, the first order of business was to address police and fire staffing. Restoring safety forces to ordinance capacities was the cornerstone of the City's pledge to residents regarding the passage of a safety levy, which as of this date has been accomplished.

The second and equally critical measure taken in 2017 was to ensure that all spending was held at 2016 levels. As noted above, all departments within the general fund operated well within the confines of their operating budgets and in the end produced overall general fund cost reductions in 2017. It is worth noting that aside from negotiated wage increases, operating budgets were not increased for the year with respect to the new revenue stream provided by the safety levy. Aside from payroll and payroll-related expenses the Budget Commission, City Administration, and City Council held firm on providing operating funds based on pre-levy levels. That same approach was taken in 2017 while preparing the 2018 tax budget.

Finally, last year's narrative addressed the State Auditors "Financial Health Indicator" Report, in which the City of Ravenna had no less than 6 critical indicators that pointed to imminent fiscal stress in the future. And, as noted last year, it was no surprise that all were general fund related. Fast forward to 2017 and the Financial Health Indicator update based on 2016 data shows the City of Ravenna with just one indicator in critical mode. This specific measuring tool addresses the strength of the general fund reserve. A strong close in 2017 allowed the City to take a large step in rectifying this issue, as the year finished with an ending general fund balance of \$1,890,953. And again, it was just two short years ago that the general fund balance was under \$500,000 and trending downward. The key for the City moving forward is now to ensure that annual operating surpluses are achieved to maintain future general fund balance growth.

Another critical need for a healthy general fund balance relates to the City's bond rating. The past several years the declining general fund performance finally led to a rating downgrade by Moody's. What was an A2 was re-issued as a Baa1 in 2016. While the last Moody's report noted an improvement in their Rating Outlook narrative deeming the City "Stable" rather than "Negative", the issue still remains that the

**City of Ravenna, Ohio**  
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downgrade has hampered the City's ability to do even simple financing transactions. The ability to sell assessment bonds was met with resistance and obtaining commercial leases on vehicles and equipment were at times difficult as well. Looking to the new year it is the hope of the City that the stability and projected overall health of the general fund will lend itself to a positive review and upgrade by Moody's to, at minimum, the A2 rating assigned in 2015.

As we look to 2018 and beyond, the City now has the opportunity to slowly climb out of the hole it found itself in over the past eight years. That being said, it is also now up to the Administration and Council to apply the many lessons of financial management learned over those past eight years while navigating through some difficult times.

**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, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,715,599	\$6,268,228	\$12,983,827
Materials and Supplies Inventory	55,413	190,702	246,115
Accrued Interest Receivable	2,285	0	2,285
Accounts Receivable	1,256,821	591,390	1,848,211
Internal Balances	(315,911)	315,911	0
Intergovernmental Receivable	542,091	2,887,871	3,429,962
Prepaid Items	57,239	35,038	92,277
Income Taxes Receivable	1,314,566	146,063	1,460,629
Property Taxes Receivable	564,854	0	564,854
Special Assessments Receivable	45,540	0	45,540
Loans Receivable	6,380,415	0	6,380,415
Nondepreciable Capital Assets	1,792,998	1,956,405	3,749,403
Depreciable Capital Assets, Net	35,839,219	27,418,589	63,257,808
<i>Total Assets</i>	<u>54,251,129</u>	<u>39,810,197</u>	<u>94,061,326</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding Pension	109,841	0	109,841
	2,769,308	1,359,512	4,128,820
<i>Total Deferred Outflows of Resources</i>	<u>2,879,149</u>	<u>1,359,512</u>	<u>4,238,661</u>
<b>Liabilities</b>			
Accounts Payable	392,725	67,340	460,065
Accrued Wages	206,527	82,107	288,634
Intergovernmental Payable	155,313	40,034	195,347
Retainage Payable	70,999	0	70,999
Accrued Interest Payable	21,829	6,641	28,470
Claims Payable	166,445	0	166,445
Long-Term Liabilities:			
Due Within One Year	908,447	1,309,719	2,218,166
Due In More Than One Year			
Net Pension Liability (See Note 16)	11,689,917	3,495,945	15,185,862
Other Amounts Due in More than One Year	7,566,360	8,444,984	16,011,344
<i>Total Liabilities</i>	<u>21,178,562</u>	<u>13,446,770</u>	<u>34,625,332</u>
<b>Deferred Inflow of Resources</b>			
Property Taxes	533,848	0	533,848
Pension	179,147	85,205	264,352
<i>Total Deferred Inflows of Resources</i>	<u>712,995</u>	<u>85,205</u>	<u>798,200</u>
<b>Net Position</b>			
Net Investment in Capital Assets	33,609,710	19,889,872	53,499,582
Restricted for:			
Revolving Loans	7,474,318	0	7,474,318
Street Construction, Maintenance and Repair	1,105,414	0	1,105,414
State Highway	52,096	0	52,096
Other Purposes	1,003,057	0	1,003,057
Unrestricted (Deficit)	(8,005,874)	7,747,862	(258,012)
<i>Total Net Position</i>	<u>\$35,238,721</u>	<u>\$27,637,734</u>	<u>\$62,876,455</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2017

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$2,327,742	\$181,760	\$0	\$280,300
Security of Persons and Property:				
Police	3,896,448	265,496	1,471	0
Fire	2,330,281	568,552	3,599	0
Leisure Time Activities	776,487	232,864	13,632	2,243
Public Health and Welfare	20,475	0	0	0
Community Environment	606,293	273,068	0	0
Transportation	3,379,515	2,867	828,509	0
Basic Utility Services	28,785	0	0	0
Economic Development	279,115	0	0	0
Interest and Fiscal Charges	234,653	0	0	0
<i>Total Governmental Activities</i>	<u>13,879,794</u>	<u>1,524,607</u>	<u>847,211</u>	<u>282,543</u>
<b>Business-Type Activities:</b>				
Water	3,513,807	2,833,738	0	200,984
Sewer	2,721,598	2,905,176	0	112,624
<i>Total Business-Type Activities</i>	<u>6,235,405</u>	<u>5,738,914</u>	<u>0</u>	<u>313,608</u>
<i>Total</i>	<u>\$20,115,199</u>	<u>\$7,263,521</u>	<u>\$847,211</u>	<u>\$596,151</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>
(\$1,865,682)	\$0	(\$1,865,682)
(3,629,481)	0	(3,629,481)
(1,758,130)	0	(1,758,130)
(527,748)	0	(527,748)
(20,475)	0	(20,475)
(333,225)	0	(333,225)
(2,548,139)	0	(2,548,139)
(28,785)	0	(28,785)
(279,115)	0	(279,115)
(234,653)	0	(234,653)
<u>(11,225,433)</u>	<u>0</u>	<u>(11,225,433)</u>
0	(479,085)	(479,085)
0	296,202	296,202
<u>0</u>	<u>(182,883)</u>	<u>(182,883)</u>
<u>(11,225,433)</u>	<u>(182,883)</u>	<u>(11,408,316)</u>
548,126	0	548,126
5,670,352	0	5,670,352
1,602,974	0	1,602,974
403,814	0	403,814
323,004	0	323,004
916,732	0	916,732
0	1,009,238	1,009,238
731,915	0	731,915
2,500	0	2,500
116,356	8,939	125,295
113,877	120,596	234,473
<u>10,429,650</u>	<u>1,138,773</u>	<u>11,568,423</u>
<u>113,000</u>	<u>(113,000)</u>	<u>0</u>
<u>10,542,650</u>	<u>1,025,773</u>	<u>11,568,423</u>
(682,783)	842,890	160,107
<u>35,921,504</u>	<u>26,794,844</u>	<u>62,716,348</u>
<u>\$35,238,721</u>	<u>\$27,637,734</u>	<u>\$62,876,455</u>

**City of Ravenna, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2017*

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$1,686,606	\$1,266,402	\$1,012,106	\$167	\$1,094,500	\$1,653,661	\$6,713,442
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	2,157	0	0	0	0	0	2,157
Materials and Supplies Inventory	22,816	0	16,352	0	0	16,245	55,413
Accounts Receivable	32,700	0	1,845	1,215,840	222	6,214	1,256,821
Accrued Interest Receivable	2,285	0	0	0	0	0	2,285
Interfund Receivable	4,260	0	0	0	0	0	4,260
Intergovernmental Receivable	225,981	0	267,574	3,599	1,495	43,442	542,091
Prepaid Items	42,757	0	7,577	0	800	6,105	57,239
Income Taxes Receivable	840,738	0	85,885	46,740	107,502	233,701	1,314,566
Property Taxes Receivable	564,854	0	0	0	0	0	564,854
Special Assessments Receivable	43,620	0	0	0	0	1,920	45,540
Loans Receivable	0	6,380,415	0	0	0	0	6,380,415
<b>Total Assets</b>	<b>\$3,468,774</b>	<b>\$7,646,817</b>	<b>\$1,391,339</b>	<b>\$1,266,346</b>	<b>\$1,204,519</b>	<b>\$1,961,288</b>	<b>\$16,939,083</b>
<b>Liabilities</b>							
Accounts Payable	\$92,593	\$101,500	\$75,590	\$0	\$114,697	\$8,345	\$392,725
Accrued Wages	165,587	0	26,867	0	1,094	12,979	206,527
Intergovernmental Payable	124,030	0	13,571	1,203	4,049	12,460	155,313
Retainage Payable	0	70,999	0	0	0	0	70,999
Interfund Payable	86,551	0	18,975	3,800	0	377,290	486,616
<b>Total Liabilities</b>	<b>468,761</b>	<b>172,499</b>	<b>135,003</b>	<b>5,003</b>	<b>119,840</b>	<b>411,074</b>	<b>1,312,180</b>
<b>Deferred Inflows of Resources</b>							
Property Taxes	533,848	0	0	0	0	0	533,848
Unavailable Revenue	575,212	0	199,023	1,179,529	48,339	145,059	2,147,162
<b>Total Deferred Inflows of Resources</b>	<b>1,109,060</b>	<b>0</b>	<b>199,023</b>	<b>1,179,529</b>	<b>48,339</b>	<b>145,059</b>	<b>2,681,010</b>
<b>Fund Balances</b>							
Nonspendable	67,730	0	23,929	0	800	22,350	114,809
Restricted	0	7,474,318	1,033,384	0	0	949,724	9,457,426
Committed	0	0	0	81,814	1,035,540	805,211	1,922,565
Assigned	10,152	0	0	0	0	0	10,152
Unassigned (Deficit)	1,813,071	0	0	0	0	(372,130)	1,440,941
<b>Total Fund Balances</b>	<b>1,890,953</b>	<b>7,474,318</b>	<b>1,057,313</b>	<b>81,814</b>	<b>1,036,340</b>	<b>1,405,155</b>	<b>12,945,893</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$3,468,774</b>	<b>\$7,646,817</b>	<b>\$1,391,339</b>	<b>\$1,266,346</b>	<b>\$1,204,519</b>	<b>\$1,961,288</b>	<b>\$16,939,083</b>

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, 2017*

<b>Total Governmental Fund Balances</b>	<b>\$12,945,893</b>
 <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.	37,632,217
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	\$31,006
Income Taxes	591,102
Intergovernmental	321,002
Charges for Services	1,160,432
Special Assessments	<u>43,620</u>
Total	2,147,162
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	2,769,308
Deferred Inflows - Pension	(179,147)
Net Pension Liability	<u>(11,689,917)</u>
Total	(9,099,756)
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(21,829)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(3,587,561)
Library Bonds	(3,457,608)
Capital Leases Payable	(527,240)
Compensated Absences	(902,398)
Deferred Charge on Refunding	<u>109,841</u>
Total	<u>(8,364,966)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$35,238,721</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, 2017*

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$551,074	\$0	\$0	\$0	\$0	\$0	\$551,074
Income Taxes	5,632,300	0	590,659	321,438	709,182	1,607,367	8,860,946
Intergovernmental	451,747	140,949	777,836	7,849	280,300	175,753	1,834,434
Interest	49,460	65,976	0	0	867	53	116,356
Fees, Licenses and Permits	463,862	0	0	0	0	0	463,862
Fines and Forfeitures	3,056	0	0	0	0	1,277	4,333
Rentals	2,155	0	0	0	33,705	8,813	44,673
Charges for Services	2,536	0	2,867	403,096	0	496,127	904,626
Contributions and Donations	2,500	0	0	0	0	15,875	18,375
Special Assessments	0	0	0	0	0	41,709	41,709
Other	37,157	101	3,013	1,641	105,652	3,490	151,054
<i>Total Revenues</i>	<u>7,195,847</u>	<u>207,026</u>	<u>1,374,375</u>	<u>734,024</u>	<u>1,129,706</u>	<u>2,350,464</u>	<u>12,991,442</u>
<b>Expenditures</b>							
Current:							
General Government	1,473,352	0	0	0	712,862	1,818	2,188,032
Security of Persons and Property:							
Police	3,475,551	0	0	0	0	11,603	3,487,154
Fire	1,305,138	0	0	770,385	0	0	2,075,523
Leisure Time Activities	0	0	0	0	0	686,120	686,120
Community Environment	13,127	0	0	0	0	308,604	321,731
Transportation	0	0	1,460,994	0	0	783,363	2,244,357
Economic Development	0	279,115	0	0	0	0	279,115
Capital Outlay	0	0	0	0	377,156	1,453	378,609
Debt Service:							
Principal Retirement	37,644	0	0	0	316,117	232,729	586,490
Interest and Fiscal Charges	252	0	0	0	92,020	144,064	236,336
<i>Total Expenditures</i>	<u>6,305,064</u>	<u>279,115</u>	<u>1,460,994</u>	<u>770,385</u>	<u>1,498,155</u>	<u>2,169,754</u>	<u>12,483,467</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>890,783</u>	<u>(72,089)</u>	<u>(86,619)</u>	<u>(36,361)</u>	<u>(368,449)</u>	<u>180,710</u>	<u>507,975</u>
<b>Other Financing Sources (Uses)</b>							
Inception of Capital Lease	0	0	0	0	112,500	0	112,500
Transfers In	0	0	0	0	263,000	73,244	336,244
Transfers Out	(100,000)	0	0	0	(36,494)	(86,750)	(223,244)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>339,006</u>	<u>(13,506)</u>	<u>225,500</u>
<i>Net Change in Fund Balances</i>	<u>790,783</u>	<u>(72,089)</u>	<u>(86,619)</u>	<u>(36,361)</u>	<u>(29,443)</u>	<u>167,204</u>	<u>733,475</u>
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$1,890,953</u>	<u>\$7,474,318</u>	<u>\$1,057,313</u>	<u>\$81,814</u>	<u>\$1,036,340</u>	<u>\$1,405,155</u>	<u>\$12,945,893</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, 2017*

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**Net Change in Fund Balances - Total Governmental Funds** \$733,475

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

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

Current Year Additions	\$559,363
Current Year Depreciation	<u>(1,577,939)</u>

Total (1,018,576)

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

Delinquent Property Taxes	(2,948)
Income Taxes	55,930
Intergovernmental	11,360
Charges for Services	63,595
Special Assessments	1,809
Other	<u>(37,177)</u>

Total 92,569

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. (112,500)

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. 586,490

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	875
Accrued Interest on Capital Lease	584
Amortization of Discount	(1,450)
Amortization of Premium	8,760
Amortization of Deferred Charge on Refunding	<u>(7,086)</u>

Total 1,683

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. (95,941)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 855,218

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,725,201)

*Change in Net Position of Governmental Activities* (\$682,783)

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, 2017*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$540,419	\$540,731	\$551,074	\$10,343
Income Taxes	5,313,783	5,316,849	5,671,356	354,507
Intergovernmental	497,662	497,949	446,874	(51,075)
Interest	73,914	73,957	94,835	20,878
Fees, Licenses and Permits	467,824	468,095	429,242	(38,853)
Fines and Forfeitures	3,421	3,423	1,479	(1,944)
Rentals	1,249	1,250	2,155	905
Charges for Services	2,536	2,536	2,536	0
Contributions and Donations	15,019	15,028	2,500	(12,528)
Other	16,229	16,238	22,693	6,455
<i>Total Revenues</i>	<u>6,932,056</u>	<u>6,936,056</u>	<u>7,224,744</u>	<u>288,688</u>
<b>Expenditures</b>				
Current:				
General Government	1,591,538	1,615,235	1,436,289	178,946
Security of Persons and Property:				
Police	3,596,361	3,650,210	3,442,463	207,747
Fire	1,445,462	1,466,928	1,313,995	152,933
Community Environment	46,306	47,000	13,383	33,617
<i>Total Expenditures</i>	<u>6,679,667</u>	<u>6,779,373</u>	<u>6,206,130</u>	<u>573,243</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>252,389</u>	<u>156,683</u>	<u>1,018,614</u>	<u>861,931</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	8,050	8,050	4,250	(3,800)
Advances Out	(17,600)	(17,600)	(4,260)	13,340
Transfers Out	(100,000)	(100,000)	(100,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(109,550)</u>	<u>(109,550)</u>	<u>(100,010)</u>	<u>9,540</u>
<i>Net Change in Fund Balance</i>	142,839	47,133	918,604	871,471
<i>Fund Balance Beginning of Year</i>	790,629	790,629	790,629	0
Prior Year Encumbrances Appropriated	29,568	29,568	29,568	0
<i>Fund Balance End of Year</i>	<u>\$963,036</u>	<u>\$867,330</u>	<u>\$1,738,801</u>	<u>\$871,471</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Revolving Loan Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$49,000	\$49,000	\$65,976	\$16,976
Other	276,350	276,350	178,100	(98,250)
<i>Total Revenues</i>	325,350	325,350	244,076	(81,274)
<b>Expenditures</b>				
Current:				
Economic Development	1,499,188	1,510,464	1,325,693	184,771
<i>Net Change in Fund Balance</i>	(1,173,838)	(1,185,114)	(1,081,617)	103,497
<i>Fund Balance Beginning of Year</i>	1,669,819	1,669,819	1,669,819	0
Prior Year Encumbrances Appropriated	15,688	15,688	15,688	0
<i>Fund Balance End of Year</i>	<u>\$511,669</u>	<u>\$500,393</u>	<u>\$603,890</u>	<u>\$103,497</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, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$558,988	\$558,988	\$596,095	\$37,107
Intergovernmental	705,500	705,500	753,318	47,818
Charges for Services	1,000	1,000	3,227	2,227
Other	5,620	5,620	21,275	15,655
<i>Total Revenues</i>	1,271,108	1,271,108	1,373,915	102,807
<b>Expenditures</b>				
Current:				
Transportation	1,633,437	1,633,437	1,401,676	231,761
<i>Net Change in Fund Balance</i>	(362,329)	(362,329)	(27,761)	334,568
<i>Fund Balance Beginning of Year</i>	1,031,039	1,031,039	1,031,039	0
Prior Year Encumbrances Appropriated	8,286	8,286	8,286	0
<i>Fund Balance End of Year</i>	<u>\$676,996</u>	<u>\$676,996</u>	<u>\$1,011,564</u>	<u>\$334,568</u>

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*EMS Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Income Taxes	\$300,412	\$304,212	\$324,405	\$20,193
Intergovernmental	8,050	8,050	4,250	(3,800)
Charges for Services	479,000	479,000	437,630	(41,370)
Other	1,065	1,065	1,425	360
<i>Total Revenues</i>	788,527	792,327	767,710	(24,617)
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	790,616	794,416	773,599	20,817
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,089)	(2,089)	(5,889)	(3,800)
<b>Other Financing Sources (Uses)</b>				
Advances In	0	3,800	3,800	0
<i>Net Change in Fund Balance</i>	(2,089)	1,711	(2,089)	(3,800)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	2,089	2,089	2,089	0
<i>Fund Balance End of Year</i>	\$0	\$3,800	\$0	(\$3,800)

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2017*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$3,799,439	\$2,468,789	\$6,268,228	\$0
Materials and Supplies Inventory	181,177	9,525	190,702	0
Accounts Receivable	287,033	304,357	591,390	0
Intergovernmental Receivable	307	2,887,564	2,887,871	0
Prepaid Items	24,327	10,711	35,038	0
Income Taxes Receivable	146,063	0	146,063	0
Interfund Receivable	371,670	0	371,670	166,445
<i>Total Current Assets</i>	<u>4,810,016</u>	<u>5,680,946</u>	<u>10,490,962</u>	<u>166,445</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,673,945	282,460	1,956,405	0
Depreciable Capital Assets, Net	15,364,526	12,054,063	27,418,589	0
<i>Total Noncurrent Assets</i>	<u>17,038,471</u>	<u>12,336,523</u>	<u>29,374,994</u>	<u>0</u>
<i>Total Assets</i>	<u>21,848,487</u>	<u>18,017,469</u>	<u>39,865,956</u>	<u>166,445</u>
<b>Deferred Outflows of Resources</b>				
Pension	761,328	598,184	1,359,512	0
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	55,211	12,129	67,340	0
Accrued Wages	44,533	37,574	82,107	0
Intergovernmental Payable	22,116	17,918	40,034	0
Interfund Payable	29,627	26,132	55,759	0
Accrued Interest Payable	4,979	1,662	6,641	0
Compensated Absences Payable	44,868	35,896	80,764	0
Capital Leases Payable	57,359	18,001	75,360	0
OPWC Loans Payable	45,667	0	45,667	0
OWDA Loans Payable	111,371	917,057	1,028,428	0
General Obligation Bonds Payable	53,000	26,500	79,500	0
Claims Payable	0	0	0	166,445
<i>Total Current Liabilities</i>	<u>468,731</u>	<u>1,092,869</u>	<u>1,561,600</u>	<u>166,445</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	90,450	66,529	156,979	0
Capital Leases Payable	138,469	35,389	173,858	0
OPWC Loans Payable	585,003	0	585,003	0
OWDA Loans Payable	617,996	5,558,123	6,176,119	0
General Obligation Bonds Payable	902,015	451,010	1,353,025	0
Net Pension Liability	1,957,732	1,538,213	3,495,945	0
<i>Total Long-Term Liabilities</i>	<u>4,291,665</u>	<u>7,649,264</u>	<u>11,940,929</u>	<u>0</u>
<i>Total Liabilities</i>	<u>4,760,396</u>	<u>8,742,133</u>	<u>13,502,529</u>	<u>166,445</u>
<b>Deferred Inflows of Resources</b>				
Pension	25,055	60,150	85,205	0
<b>Net Position</b>				
Net Investment in Capital Assets	14,548,978	5,340,894	19,889,872	0
Unrestricted	3,275,386	4,472,476	7,747,862	0
<i>Total Net Position</i>	<u>\$17,824,364</u>	<u>\$9,813,370</u>	<u>\$27,637,734</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, 2017*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services	\$2,767,813	\$2,905,176	\$5,672,989	\$1,928,516
Fees, Licenses and Permits	65,925	0	65,925	0
Other	66,681	53,915	120,596	0
<i>Total Operating Revenues</i>	<u>2,900,419</u>	<u>2,959,091</u>	<u>5,859,510</u>	<u>1,928,516</u>
<b>Operating Expenses</b>				
Personal Services	1,901,182	1,531,914	3,433,096	0
Materials and Supplies	338,394	142,709	481,103	0
Contractual Services	593,178	502,521	1,095,699	545,405
Depreciation	627,771	496,522	1,124,293	0
Claims	0	0	0	1,383,111
<i>Total Operating Expenses</i>	<u>3,460,525</u>	<u>2,673,666</u>	<u>6,134,191</u>	<u>1,928,516</u>
<i>Operating Income (Loss)</i>	<u>(560,106)</u>	<u>285,425</u>	<u>(274,681)</u>	<u>0</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	8,808	131	8,939	0
Municipal Income Taxes	1,009,238	0	1,009,238	0
Interest and Fiscal Charges	(53,282)	(47,932)	(101,214)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>964,764</u>	<u>(47,801)</u>	<u>916,963</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions and Transfers</i>	404,658	237,624	642,282	0
Capital Contributions	200,984	112,624	313,608	0
Transfers Out	(113,000)	0	(113,000)	0
<i>Change in Net Position</i>	492,642	350,248	842,890	0
<i>Net Position Beginning of Year</i>	<u>17,331,722</u>	<u>9,463,122</u>	<u>26,794,844</u>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$17,824,364</u></u>	<u><u>\$9,813,370</u></u>	<u><u>\$27,637,734</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, 2017

	Business-Type Activities - Enterprise			Governmental
	Water	Sewer	Total	Activities - Internal Service
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,853,246	\$2,902,138	\$5,755,384	\$0
Cash Received from Interfund Services Provided	0	0	0	1,908,474
Other Operating Revenues	66,176	54,201	120,377	0
Cash Payments to Suppliers for Materials and Supplies	(344,735)	(142,476)	(487,211)	0
Cash Payments for Employee Services and Benefits	(1,642,858)	(1,354,240)	(2,997,098)	0
Cash Payments for Contractual Services	(591,384)	(496,424)	(1,087,808)	(545,405)
Cash Payments for Claims	0	0	0	(1,363,069)
<i>Net Cash Provided by Operating Activities</i>	340,445	963,199	1,303,644	0
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Municipal Income Taxes	1,013,767	0	1,013,767	0
Cash repaid from Other Funds	427,260	0	427,260	0
Cash loaned to Other Funds	(371,670)	0	(371,670)	0
Transfers Out	(113,000)	0	(113,000)	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	956,357	0	956,357	0
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(630,418)	(275,706)	(906,124)	0
Capital Contributions	200,984	460,761	661,745	0
OPWC Loans Issued	5,309	0	5,309	0
Principal Paid on General Obligation Bonds	(52,000)	(26,000)	(78,000)	0
Principal Paid on OWDA Loans	(107,612)	(912,433)	(1,020,045)	0
Principal Paid on OPWC Loans	(44,025)	0	(44,025)	0
Principal Paid on Capital Leases	(59,824)	(17,819)	(77,643)	0
Interest Paid on General Obligation Bonds	(25,373)	(12,686)	(38,059)	0
Interest Paid on OWDA Loans	(24,309)	(34,282)	(58,591)	0
Interest Paid on Capital Leases	(3,098)	(1,539)	(4,637)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(740,366)	(819,704)	(1,560,070)	0
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	8,808	131	8,939	0
<i>Net Increase in Cash and Cash Equivalent</i>	565,244	143,626	708,870	0
<i>Cash and Cash Equivalents Beginning of Year</i>	3,234,195	2,325,163	5,559,358	0
<i>Cash and Cash Equivalents End of Year</i>	\$3,799,439	\$2,468,789	\$6,268,228	\$0

(continued)

**City of Ravenna, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Year Ended December 31, 2017*

	Business-Type Activities - Enterprise			Governmental Activities - Internal Service
	Water	Sewer	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	(\$560,106)	\$285,425	(\$274,681)	\$0
Adjustments:				
Depreciation	627,771	496,522	1,124,293	0
(Increase) Decrease in Assets:				
Accounts Receivable	18,833	13,527	32,360	0
Intergovernmental Receivable	170	(16,279)	(16,109)	0
Materials and Supplies Inventory	(19,364)	1,435	(17,929)	0
Interfund Receivable	0	0	0	(20,042)
Prepaid Items	(720)	541	(179)	0
(Increase) Decrease in Deferred Outflows - Pension	255,866	201,039	456,905	0
Increase (Decrease) in Liabilities:				
Accounts Payable	20,950	4,354	25,304	0
Accrued Wages	780	67	847	0
Compensated Absences Payable	(6,610)	3,457	(3,153)	0
Interfund Payable	1,664	6,514	8,178	0
Intergovernmental Payable	(5,383)	(3,918)	(9,301)	0
Claims Payable	0	0	0	20,042
Net Pension Liability	43,826	34,434	78,260	0
Increase (Decrease) in Deferred Inflows - Pension	(37,232)	(63,919)	(101,151)	0
<i>Total Adjustments</i>	900,551	677,774	1,578,325	0
<i>Net Cash Provided by Operating Activities</i>	\$340,445	\$963,199	\$1,303,644	\$0

**Noncash Capital Financing Activities**

During 2017, the water fund issued \$112,500 for a capital lease purchase.

See accompanying notes to the basic financial statements

**City of Ravenna, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2017*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$29,864</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$29,864</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, 2017*

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

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

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Ravenna, this includes the agencies and departments that provide the following services: police protection, 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 19 to the basic financial statements.

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

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, 2017*

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***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Measurement Focus***

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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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



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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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, 2017, but which were levied to finance 2018 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 Balances 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 2017, the City invested in repurchase agreements, STAR Ohio, federal home loan bank notes and federal national mortgage association notes.

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

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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Participants.” 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 2017, 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 2017 amounted to \$49,460 which includes \$33,163 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, 2017, 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 receipted 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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
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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-five 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 - 30 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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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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**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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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**  
*Notes to the Basic Financial Statements*  
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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><b>Nonspendable:</b></u>							
Inventory	\$22,816	\$0	\$16,352	\$0	\$0	\$16,245	\$55,413
Prepays	42,757	0	7,577	0	800	6,105	57,239
Unclaimed Monies	2,157	0	0	0	0	0	2,157
<i>Total Nonspendable</i>	<u>67,730</u>	<u>0</u>	<u>23,929</u>	<u>0</u>	<u>800</u>	<u>22,350</u>	<u>114,809</u>
<u><b>Restricted for:</b></u>							
Revolving Loans	0	7,474,318	0	0	0	0	7,474,318
Street Maintenance	0	0	1,033,384	0	0	934,063	1,967,447
Law Enforcement	0	0	0	0	0	15,661	15,661
<i>Total Restricted</i>	<u>0</u>	<u>7,474,318</u>	<u>1,033,384</u>	<u>0</u>	<u>0</u>	<u>949,724</u>	<u>9,457,426</u>
<u><b>Committed to:</b></u>							
Ambulance Service	0	0	0	81,814	0	0	81,814
Recreation	0	0	0	0	0	233,834	233,834
Recycling	0	0	0	0	0	32,970	32,970
Capital Improvements	0	0	0	0	1,035,540	538,407	1,573,947
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>81,814</u>	<u>1,035,540</u>	<u>805,211</u>	<u>1,922,565</u>
<u><b>Assigned to:</b></u>							
Purchases on Order:							
Purchased Services	10,152	0	0	0	0	0	10,152
Unassigned (Deficit)	1,813,071	0	0	0	0	(372,130)	1,440,941
<b>Total Fund Balances</b>	<u><u>\$1,890,953</u></u>	<u><u>\$7,474,318</u></u>	<u><u>\$1,057,313</u></u>	<u><u>\$81,814</u></u>	<u><u>\$1,036,340</u></u>	<u><u>\$1,405,155</u></u>	<u><u>\$12,945,893</u></u>

**Note 4 – Accountability**

At December 31, 2017, the special assessment bond retirement debt service fund and the IDEP/STEP grant special revenue fund had fund deficits of \$371,670 and \$460, respectively. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

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**Note 5 - Budgetary Basis of Accounting**

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

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

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS
GAAP Basis	\$790,783	(\$72,089)	(\$86,619)	(\$36,361)
Net Adjustment for Revenue Accruals	(16,478)	(140,949)	(460)	33,686
Beginning Fair Value Adjustment for Investments	(15,969)	0	0	0
Ending Fair Value Adjustment for Investments	61,344	0	0	0
Advances In	4,250	0	0	3,800
Loan Payments Received	0	177,999	0	0
Net Adjustment for Expenditures Accruals	110,240	313,448	59,860	(3,047)
Advances Out	(4,260)	0	0	0
Loans Issued	0	(765,669)	0	0
Loans Written Off	0	68,155	0	0
Encumbrances	(11,306)	(662,512)	(542)	(167)
Budget Basis	<u>\$918,604</u>	<u>(\$1,081,617)</u>	<u>(\$27,761)</u>	<u>(\$2,089)</u>



**City of Ravenna, Ohio**  
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**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.

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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);

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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.

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.

**Investments**

Investments are reported at fair value. As of December 31, 2017, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Cost				
Repurchase Agreements	\$4,335,573	Less than 30 days	AAA	48.95 %
Net Asset Value Per Share				
STAR Ohio	487,297	Average 52.1 days	AAAm	5.50
Fair Value - Level Two Inputs				
Federal Home Loan Bank Notes	1,979,445	Less than three years	AAA	22.35
Federal National Mortgage Association Notes	2,054,417	Less than three years	AAA	23.20
Total Fair Value - Level Two Inputs	4,033,862			
Total	\$8,856,732			

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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, 2017. Repurchase agreements are measured at cost. STAR Ohio is measured at net asset value per share. The City's investments measured at 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 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, 2017 consisted primarily of municipal income taxes, property taxes, accounts (billings for user charged services including unbilled utility services), special assessments, loans and intergovernmental receivables arising from grants, entitlements and shared revenues.

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

Loans receivable presented in the revolving loan special revenue fund represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under Federal Grant programs. The loans bear interest at annual rates ranging between zero and seven percent. The loans are to be repaid over periods ranging from five to thirteen years. Loans expected to be collected in more than one year are \$6,202,416.

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***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes become a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 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, 2017 and for which there is an enforceable legal claim. In the general fund, the portion of the receivable not levied to finance 2017 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, 2017, consists of the following:

Business-type Activities	Amounts
Portage County	\$2,887,431
Miscellaneous	440
Total	\$2,887,871

**City of Ravenna, Ohio**  
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A summary of governmental activities intergovernmental receivables as of December 31, 2017 follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Gasoline and Excise Tax	\$168,534
Local Government	144,803
Permissive Tax	55,542
Motor Vehicle License Tax	32,796
Homestead and Rollback	32,616
IDEP/STEP Grants	24,150
State of Ohio	21,837
Ohio Department of Transportation	17,577
Rootstown Township	17,550
Ravenna City School District	12,648
Deerfield Township	4,134
SAFER Grants	3,800
Emergency Medical Services Grant	3,599
Miscellaneous	2,505
<b>Total</b>	<b>\$542,091</b>

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, 2017 is \$2,823,704. 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 2017, the tax rate was 2.50 percent. The City allows a credit of 100 percent for income tax paid to other municipalities and joint economic development districts, not to exceed 2.50 percent of taxable income.

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 2017, the distribution of tax, by percentage of tax proceeds was as follows: general fund 57.05 percent, capital improvements and projects fund 7.16 percent, EMS special revenue fund 3.26 percent, street construction and repair special revenue fund 5.99 percent, roadway improvements fund 10.22 percent, recreation special revenue fund 4.08 percent, parks capital improvement fund 2.04 percent and water operations and capital enterprise fund 10.20 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 2017, the City contracted with two companies for various types of insurance as follows:

Company	Type of Coverage	Coverage (annual aggregate)
Companion Commercial Insurance	Umbrella Liability	\$5,000,000
	General Liability	3,000,000 *
	Employee Practices 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	53,638,356
Zurich North American Surety	Bonds - Employees and Officials	100,000

\* Each occurrence limit of \$1,000,000.

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 \$75,000 per employee per year.

The claims liability of \$166,445 reported in the internal service fund at December 31, 2017, 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 2016 and 2017 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2016	\$132,945	\$1,420,563	\$1,407,105	\$146,403
2017	146,403	1,383,111	1,363,069	166,445

**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.

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**Note 10 – Interfund Transactions**

***Interfund Balances***

Interfund balances at December 31, 2017,

	Receivable		Payable	
	Manuscript Notes	Advances To Other Funds	Manuscript Notes	Advances From Other Funds
<b>Governmental Funds</b>				
General	\$0	\$4,260	\$0	\$86,551
Streets Construction, Maintenance and Repair	0	0	0	18,975
EMS	0	0	0	3,800
Other Governmental Funds	0	0	371,670	5,620
<b>Enterprise Funds</b>				
Water	371,670	0	0	29,627
Sewer	0	0	0	26,132
<b>Internal Service Fund</b>				
Self Insurance	0	166,445	0	0
<i>Grand Total</i>	<u>\$371,670</u>	<u>\$170,705</u>	<u>\$371,670</u>	<u>\$170,705</u>

The other governmental funds interfund balance represents a manuscript note that was issued on November 3, 2017 at 1.50 percent. This note is due on November 2, 2018 and was used to fund the Enterprise Parkway Project improvements.

The remaining interfund balances at December 31, 2017 consist of an interfund receivable/payable between the general fund and the IDEP/Step grant and emergency medical service funds. These advances were made to cover qualifying expenditures in the grant funds which will be reimbursed when the grant monies are received by the City. An interfund receivable/payable exists between the internal service fund and the various governmental and enterprise funds due to the City moving money to pay claims when funds are needed rather than when claims are incurred.

***Interfund Transfers***

<b>Transfer To</b>	<b>Transfer From</b>				
	Governmental Funds			Enterprise Fund	
	General	Capital Improvements	Other Governmental Funds	Water	Total
<b>Governmental Funds</b>					
Major Fund:					
Capital Improvements	\$100,000	\$0	\$50,000	\$113,000	\$263,000
Other Governmental Funds	0	36,494	36,750	0	73,244
Total	<u>\$100,000</u>	<u>\$36,494</u>	<u>\$86,750</u>	<u>\$113,000</u>	<u>\$336,244</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, 2017.

*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 2017, the City had governmental lease agreements for one ambulance for the fire department, a mailing system, a garage for the street department and vehicles for the police department. The lease agreements for the phone equipment, vector truck and street sweeper 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, 2017 can be found in the table below. The items related to the copy machines, mailing system and phone equipment leases have not been capitalized.

<i>Asset:</i>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	\$600,000	\$0
Vehicles	514,120	365,874
Historical Cost	1,114,120	365,874
Less: Accumulated Depreciation	(321,208)	(45,849)
Total Book Value as of December 31, 2017	<u>\$792,912</u>	<u>\$320,025</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:



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Year Ending December 31,	Governmental Activities	Business-type Activities
2018	\$165,156	\$82,281
2019	158,412	81,796
2020	78,871	76,466
2021	59,938	23,939
2022	36,000	0
2023-2024	45,000	0
Total Minimum Lease Payments	543,377	264,482
Less: Amount Representing Interest	(16,137)	(15,264)
Present Value of Minimum Lease	\$527,240	\$249,218

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 2017, 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 2017 was 56.0 percent. During 2017, \$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.

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**Note 15 - Capital Assets**

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,704,766	\$0	\$0	\$1,704,766
Construction in progress	395,234	105,272	(412,274)	88,232
Total capital assets not being depreciated	<u>2,100,000</u>	<u>105,272</u>	<u>(412,274)</u>	<u>1,792,998</u>
Capital assets being depreciated				
Buildings	5,061,978	0	0	5,061,978
Improvements other than Buildings	565,175	16,900	0	582,075
Furniture, Fixtures and Equipment	3,623,892	116,156	(33,790)	3,706,258
Vehicles	3,692,980	161,156	(103,797)	3,750,339
Infrastructure:				
Streets	43,658,323	135,897	0	43,794,220
Storm Drains	4,771,740	85,823	0	4,857,563
Sidewalks	8,683,603	0	0	8,683,603
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	4,556,801	350,433	0	4,907,234
Total capital assets being depreciated	<u>76,150,092</u>	<u>866,365</u>	<u>(137,587)</u>	<u>76,878,870</u>
Accumulated depreciation				
Buildings	(3,187,581)	(90,143)	0	(3,277,724)
Improvements other than Buildings	(388,175)	(22,354)	0	(410,529)
Furniture, Fixtures and Equipment	(2,207,253)	(139,466)	33,790	(2,312,929)
Vehicles	(2,416,600)	(193,263)	103,797	(2,506,066)
Infrastructure:				
Streets	(22,553,674)	(725,210)	0	(23,278,884)
Storm Drains	(2,663,192)	(38,331)	0	(2,701,523)
Sidewalks	(4,562,460)	(217,090)	0	(4,779,550)
Fire Hydrants	(758,124)	(20,474)	0	(778,598)
Traffic Lights	(862,240)	(131,608)	0	(993,848)
Total accumulated depreciation	<u>(39,599,299)</u>	<u>(1,577,939) *</u>	<u>137,587</u>	<u>(41,039,651)</u>
Capital assets being depreciated, net	<u>36,550,793</u>	<u>(711,574)</u>	<u>0</u>	<u>35,839,219</u>
Governmental activities capital assets, net	<u><u>\$38,650,793</u></u>	<u><u>(\$606,302)</u></u>	<u><u>(\$412,274)</u></u>	<u><u>\$37,632,217</u></u>

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

General Government	\$19,287
Security of Persons and Property:	
Police	73,714
Fire	109,103
Leisure Time Activities	40,473
Public Health and Welfare	20,475
Community Environment	265,077
Transportation	1,011,479
Basic Utility Services	38,331
Total	<u><u>\$1,577,939</u></u>

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17
Business-type activities:				
Capital assets not being depreciated				
Land	\$1,565,260	\$0	\$0	\$1,565,260
Construction in progress	0	391,145	0	391,145
Total capital assets not being depreciated	<u>1,565,260</u>	<u>391,145</u>	<u>0</u>	<u>1,956,405</u>
Capital assets being depreciated				
Buildings	6,491,616	0	0	6,491,616
Improvements other than Buildings	14,614,297	0	0	14,614,297
Furniture, Fixtures and Equipment	10,809,742	472,900	0	11,282,642
Vehicles	462,992	154,579	0	617,571
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	<u>54,762,549</u>	<u>627,479</u>	<u>0</u>	<u>55,390,028</u>
Accumulated depreciation				
Buildings	(3,124,408)	(128,067)	0	(3,252,475)
Improvements other than Buildings	(9,613,352)	(361,212)	0	(9,974,564)
Furniture, Fixtures and Equipment	(3,421,457)	(347,035)	0	(3,768,492)
Vehicles	(91,836)	(58,565)	0	(150,401)
Infrastructure:				
Water Lines	(7,276,558)	(167,006)	0	(7,443,564)
Sewer Lines	(3,319,535)	(62,408)	0	(3,381,943)
Total accumulated depreciation	<u>(26,847,146)</u>	<u>(1,124,293)</u>	<u>0</u>	<u>(27,971,439)</u>
Capital assets being depreciated, net	<u>27,915,403</u>	<u>(496,814)</u>	<u>0</u>	<u>27,418,589</u>
Business-type activities capital assets, net	<u><u>\$29,480,663</u></u>	<u><u>(\$105,669)</u></u>	<u><u>\$0</u></u>	<u><u>\$29,374,994</u></u>

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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.

**City of Ravenna, Ohio**  
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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):

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

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

	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
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 \$522,183 for 2017. Of this amount, \$65,541 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](http://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. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

**City of Ravenna, Ohio**  
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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, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2017 Actual Contribution Rates</b>		
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 \$594,126 for 2017. Of this amount, \$69,749 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, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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&amp;F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0307900%	0.1293670%	
Prior Measurement Date	<u>0.0303530%</u>	<u>0.1316150%</u>	
Change in Proportionate Share	<u>0.0004370%</u>	<u>-0.0022480%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,991,886	\$8,193,976	\$15,185,862
Pension Expense	\$1,459,540	\$960,766	\$2,420,306

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$9,477	\$2,318	\$11,795
Changes of assumptions	1,108,999	0	1,108,999
Net difference between projected and actual earnings on pension plan investments	1,041,253	796,828	1,838,081
Changes in proportion and differences between City contributions and proportionate share of contributions	53,636	0	53,636
City contributions subsequent to the measurement date	<u>522,183</u>	<u>594,126</u>	<u>1,116,309</u>
Total Deferred Outflows of Resources	<u>\$2,735,548</u>	<u>\$1,393,272</u>	<u>\$4,128,820</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$41,612	\$18,866	\$60,478
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>64,399</u>	<u>139,475</u>	<u>203,874</u>
Total Deferred Inflows of Resources	<u>\$106,011</u>	<u>\$158,341</u>	<u>\$264,352</u>

\$1,116,309 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, 2018. 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
2018	\$850,465	\$273,422	\$1,123,887
2019	915,743	273,422	1,189,165
2020	371,668	201,212	572,880
2021	(30,522)	(83,267)	(113,789)
2022	0	(22,033)	(22,033)
Thereafter	0	(1,951)	(1,951)
Total	<u>\$2,107,354</u>	<u>\$640,805</u>	<u>\$2,748,159</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, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

**City of Ravenna, Ohio**  
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For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, 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, 2015. The prior 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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 2016 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

**Discount Rate** The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 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 City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$10,681,667	\$6,991,886	\$3,917,104

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, 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, 2016, are presented below:

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Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
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
	plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
	120.00 %	

Note: Assumptions are geometric.

\* levered 2x

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.

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**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	\$10,913,405	\$8,193,976	\$5,889,223

***Changes between Measurement Date and Report Date***

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

**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 maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**City of Ravenna, Ohio**  
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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 2017, 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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 2017 was 4.0 percent.

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, 2017, 2016 and 2015 was \$40,168, \$79,064 and \$79,039 respectively. For 2017, 88.35 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides 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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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OP&F 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 OP&F 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, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.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 OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements 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 OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OP&F for the years ended December 31, 2017, 2016 and 2015 were \$594,126, \$580,660 and \$576,707 respectively, of which \$14,193, \$13,481 and \$13,268 respectively, was allocated to the healthcare plan. For 2017, 88.53 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 2016 and 2015.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**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
<b>Business-Type Activities</b>			
<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%	65,801	2037
<i>OWDA Loans:</i>			
Lovers Lane Windmill Sewer - 2002	3.95%	292,433	2022
Kent/Ravenna Emergency Waterline - 2003	3.65%	486,102	2023
WWTP Expansion - 2003	0.44%	17,718,652	2024
Water Meters - 2008	3.40%	1,181,619	2023
<i>General Obligation Bonds:</i>			
Energy Conservation Improvement Bonds - 2012	2.00% to 3.00%	1,782,000	2032
<b>Governmental Activities</b>			
<i>General Obligation Bonds:</i>			
Municipal Building Improvement - 2003	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



**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2017

	Outstanding 12/31/16	Additions	(Reductions)	Outstanding 12/31/17	Due in One Year
<b>Business Type Activities</b>					
<b>OPWC Loans</b>					
Hayes Road Waterline	\$8,651	\$0	(\$3,462)	\$5,189	\$3,459
Highland Avenue Reconstruction	7,165	0	(1,791)	5,374	1,791
Lake Avenue Water and Storm Loan	9,931	0	(1,528)	8,403	1,528
Chestnut and Washington					
Water and Storm Sewers	27,500	0	(2,500)	25,000	2,500
West Main Street Waterline Replacement	28,750	0	(2,500)	26,250	2,500
Ravenna Area Water Improvements	11,126	0	(890)	10,236	891
New Milford Road Waterline	14,688	0	(1,130)	13,558	1,130
Clinton and Lafayette Waterline	65,664	0	(4,237)	61,427	4,237
Cleveland Road	11,113	0	(674)	10,439	673
North Diamond Water and Storm	259,124	0	(14,807)	244,317	14,807
Sycamore and Mill Water	117,682	0	(6,361)	111,321	6,361
South Diamond Waterline	47,500	0	(2,500)	45,000	2,500
Oakgrove, Riddle and Peck Waterlines	60,492	5,309	(1,645)	64,156	3,290
<i>Total OPWC Loans</i>	<u>669,386</u>	<u>5,309</u>	<u>(44,025)</u>	<u>630,670</u>	<u>45,667</u>
<b>OWDA Loans</b>					
Lovers Lane Windmill Sewer	112,730	0	(17,000)	95,730	17,679
Kent/Ravenna Emergency Waterline	211,171	0	(26,994)	184,177	27,989
WWTP Expansion	7,274,883	0	(895,433)	6,379,450	899,378
Water Meters	625,808	0	(80,618)	545,190	83,382
<i>Total OWDA Loans</i>	<u>8,224,592</u>	<u>0</u>	<u>(1,020,045)</u>	<u>7,204,547</u>	<u>1,028,428</u>
<b>General Obligation Bonds</b>					
Energy Conservation Improvement Bonds	1,489,500	0	(78,000)	1,411,500	79,500
Premium on Energy Conservation					
Improvement Bonds	22,427	0	(1,402)	21,025	0
<i>Total General Obligation Bonds</i>	<u>1,511,927</u>	<u>0</u>	<u>(79,402)</u>	<u>1,432,525</u>	<u>79,500</u>
<i>Other Long-term Liabilities:</i>					
Net Pension Liabilities - OPERS:					
Water	1,472,108	485,624	0	1,957,732	0
Sewer	1,156,654	381,559	0	1,538,213	0
Total Net Pension Liability - OPERS	2,628,762	867,183	0	3,495,945	0
Capital Leases	214,361	112,500	(77,643)	249,218	75,360
Compensated Absences	240,896	77,412	(80,565)	237,743	80,764
<i>Total Other Long-term Liabilities</i>	<u>3,084,019</u>	<u>1,057,095</u>	<u>(158,208)</u>	<u>3,982,906</u>	<u>156,124</u>
<i>Total Business Type Activities</i>	<u>\$13,489,924</u>	<u>\$1,062,404</u>	<u>(\$1,301,680)</u>	<u>\$13,250,648</u>	<u>\$1,309,719</u>

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2017

	Outstanding 12/31/16	Additions	(Reductions)	Outstanding 12/31/17	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Municipal Building Improvement	\$280,000	\$0	(\$35,000)	\$245,000	\$35,000
Energy Conservation Improvement Bonds	3,475,500	0	(182,000)	3,293,500	185,500
Premium on Energy Conservation Improvement Bonds	52,332	0	(3,271)	49,061	0
<i>Total General Obligation Bonds</i>	<u>3,807,832</u>	<u>0</u>	<u>(220,271)</u>	<u>3,587,561</u>	<u>220,500</u>
<b>Library Bonds</b>					
Reed Memorial Library Refunding Serial Bonds	2,955,000	0	(170,000)	2,785,000	170,000
Reed Memorial Library Refunding Term Bonds	610,000	0	0	610,000	0
Discount on Reed Memorial Library Refunding Bonds	(23,925)	0	1,450	(22,475)	0
Premium on Reed Memorial Library Refunding Bonds	90,572	0	(5,489)	85,083	0
<i>Total Library Bonds</i>	<u>3,631,647</u>	<u>0</u>	<u>(174,039)</u>	<u>3,457,608</u>	<u>170,000</u>
<i>Other Long-term Liabilities:</i>					
Net Pension Liability					
OPERS	2,628,761	867,180	0	3,495,941	0
OP&F	8,466,885	0	(272,909)	8,193,976	0
Total Net Pension Liability	<u>11,095,646</u>	<u>867,180</u>	<u>(272,909)</u>	<u>11,689,917</u>	<u>0</u>
Capital Leases	614,230	112,500	(199,490)	527,240	156,697
Compensated Absences	806,457	483,574	(387,633)	902,398	361,250
Total Other Long-term Liabilities	<u>12,516,333</u>	<u>1,463,254</u>	<u>(860,032)</u>	<u>13,119,555</u>	<u>517,947</u>
<i>Total Governmental Activities</i>	<u>\$19,955,812</u>	<u>\$1,463,254</u>	<u>(\$1,254,342)</u>	<u>\$20,164,724</u>	<u>\$908,447</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.

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:

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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's overall legal debt margin was \$14,711,568 at December 31, 2017. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017 are as follows:

Business-Type Activities

	OPWC Loans	OWDA Loans		Energy Conservation General Obligation Bonds	
	Principal	Principal	Interest	Principal	Interest
2018	\$45,667	\$1,028,428	\$50,875	\$79,500	\$36,499
2019	43,937	1,036,981	43,008	81,000	34,909
2020	42,208	1,045,720	34,984	82,500	33,289
2021	40,416	1,054,647	26,798	84,000	31,639
2022	40,417	1,063,766	18,446	87,000	29,749
2023-2027	195,202	1,975,005	13,129	465,000	114,979
2028-2032	162,071	0	0	532,500	62,828
2033-2037	60,752	0	0	0	0
Total	\$630,670	\$7,204,547	\$187,240	\$1,411,500	\$343,892

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

Governmental Activities

	General Obligation Bonds		Library Bonds	
	Principal	Interest	Principal	Interest
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	248,000	73,913	190,000	93,482
2023-2027	1,130,000	270,535	1,015,000	417,254
2028-2032	1,242,500	112,132	1,205,000	203,400
2033	0	0	275,000	11,001
Total	\$3,538,500	\$812,442	\$3,395,000	\$1,138,613

**Note 19 – Related Organization**

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

In 2003, the City of Ravenna issued general obligation bonds, in the amount of \$5,350,000, for Library improvements. 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 2033 and 2026. 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 20 – 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:

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

<b>Governmental Funds</b>		<b>Proprietary Funds</b>	
General	\$11,306	Water	\$253,895
Revolving Loan	662,512	Sewer	19,907
Street Construction Maintenance and Repair	542	Total Proprietary	<u>\$273,802</u>
EMS	167		
Capital Improvements	94,184		
Other Governmental Funds	<u>42,298</u>	<b>Agency Funds:</b>	<u>\$28,500</u>
Total Governmental Funds	<u>\$811,009</u>		

**Note 21 – Tax Abatements**

As of December 31, 2017, 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)***

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 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.

**City of Ravenna, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***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 2017, the City has one CRA application on file that has started construction and will be creating a School revenue sharing agreement for CRAs in the near future.

***Abatements Granted in 2017***

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 2017:

<u>Tax Abatement Program</u>	<u>Total Amount of Property Taxes Forgone (Abated) For Year 2017</u>
Manufacturing	\$ 33,250

**Note 22 – Change in Accounting Principle**

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 23 – Subsequent Event**

On May 16, 2018, the City entered into a lease-purchase agreement to purchase vehicles of \$110,612. Lease payments will begin June 16, 2018 and are comprised of four annual payments of \$29,619, including interest computed at a rate of 4.50 percent.

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## Required Supplementary Information

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**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 Four Years (1)\**

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0307900%	0.0303530%	0.0314700%	0.0314700%
City's Proportionate Share of the Net Pension Liability	\$6,991,886	\$5,257,523	\$3,795,635	\$3,709,903
City's Covered Payroll	\$3,980,183	\$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	175.67%	139.17%	98.38%	91.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	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.

See accompanying note to the required supplementary information.



**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 Four Years (1)\**

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1293670%	0.1316150%	0.1327447%	0.1327447%
City's Proportionate Share of the Net Pension Liability	\$8,193,976	\$8,466,885	\$6,876,729	\$6,465,083
City's Covered Payroll	\$2,707,131	\$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	302.68%	314.82%	259.03%	247.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	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 Five Years (1)*

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$522,183	\$477,622	\$453,330	\$462,982	\$529,036
Contributions in Relation to the Contractually Required Contribution	(522,183)	(477,622)	(453,330)	(462,982)	(529,036)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$4,016,792	\$3,980,183	\$3,777,750	\$3,858,183	\$4,069,506
Contributions as a Percentage of Covered Payroll	13.00%	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.

See accompanying note to the required supplementary information.

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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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$594,126	\$567,124	\$563,226	\$555,528
Contributions in Relation to the Contractually Required Contribution	<u>(594,126)</u>	<u>(567,124)</u>	<u>(563,226)</u>	<u>(555,528)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,838,646	\$2,707,131	\$2,689,412	\$2,654,800
Contributions as a Percentage of Covered Payroll	20.93%	20.95%	20.94%	20.93%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$464,473	\$377,712	\$376,599	\$384,297	\$406,534	\$398,300
<u>(464,473)</u>	<u>(377,712)</u>	<u>(376,599)</u>	<u>(384,297)</u>	<u>(406,534)</u>	<u>(398,300)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,608,513	\$2,568,072	\$2,550,162	\$2,602,288	\$2,759,528	\$2,703,664
17.81%	14.71%	14.77%	14.77%	14.73%	14.73%

**City of Ravenna, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2017*

**Changes in Assumptions - OPERS**

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

**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, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 29, 2018.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness (Finding No. 2017-001).

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  
June 29, 2018



# City of Ravenna, Ohio

## Schedule of Findings

**For the Year Ended December 31, 2017**

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### 1. Summary of Auditor's Results

(d)(I)(I)	Type of Financial Statement Opinion	Unmodified
(d)(I)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

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

#### 2017-001 – Material Weakness in internal control over financial reporting:

**Condition:**

We noted the City improperly excluded accounts payable and retainage payable balances resulting from improper cutoff procedures which resulted in material adjustments made to the respective liability accounts and related expense accounts.

**Criteria:**

The internal control structure and processes should provide for accurate cutoff at year-end.

**Cause:**

In determining the City's accounts payable and retainage payable balances for year-end, the City did not identify these invoices as relating to services provided in the period of the financial statements being prepared.

**Effect:**

The use of the incorrect criteria for determining accounts payable and retainage payable balances may result in errors or irregularities and decrease the reliability of financial data.

**Recommendation:**

We recommend that the City document the criteria for determining what should be recorded as a liability at year end, implement better monitoring controls over third parties preparing the financial statements, train staff on such criteria and implement monitoring controls over the year-end cutoff procedures to help ensure that a proper cutoff is achieved, thereby increasing the reliability of the financial data at year-end.

**Management's Response:**

The City is taking the necessary steps to ensure proper cutoff is achieved.

**City of Ravenna, Ohio**

Schedule of Prior Audit Findings

**For the Year Ended December 31, 2017**

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No prior audit findings to report.

**Finance Department**

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Ravenna, OH 44266  
p 330.297.2152 • f 330.297.2164



City of Ravenna  
CORRECTIVE ACTION PLAN

For Year ended December 31, 2017

<b>Finding No.</b>	<b>Finding Summary</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	<p>We noted the City improperly excluded accounts payable and retainage payable balances resulting from improper criteria utilized in determining cutoff which resulted in material adjustments made to the liability and related expense accounts.</p> <p>The finance department will document the criteria for determining what should be recorded as a liability at year end, train staff on such criteria and implement monitoring controls over the year-end cutoff procedures to help ensure that a proper cutoff is achieved.</p>	December 31, 2018	Kimble Cecora, Finance Director

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# 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  
SEPTEMBER 25, 2018**