City of Ravenna, Ohio

Basic Financial Statements
For The Year Ended December 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

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Members of Council
City of Ravenna
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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, 2018 through December 31, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

August 13, 2019

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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, 2018, 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.

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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, 2018, 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.

Emphasis of Matter

Implementation of New Accounting Standard

As described in Note 22 to the basic financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and as a result restated their December 31, 2017 net position of the governmental activities and business-type activities. Additionally, it was determined the City's intergovernmental payable, workers' compensation claims payable, interfund receivable and interfund payable were understated in the prior year. As a result of these changes, the City restated their December 31, 2017 net position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required schedules on pensions and postemployment benefits as listed in the table of contents 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.

Members of the City Council
Ravenna, Ohio

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, 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 25, 2019

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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, 2018. 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 continued growth of general fund revenues was the highlight of 2018, as a robust local economy helped to produce income tax receipts that exceeded both budget and the prior year. As detailed below, the City of Ravenna experienced record highs in annual income tax revenues in 2018.

- These increased income tax revenues coupled with expenditures that were held below established appropriations enabled the general fund to end 2018 with a significant operating surplus for the year.

- As a follow-up to last year's economic development news, the Ravenna 7 Theater Complex was completed and opened in late August. The successful arrival of the Theater has spawned a renewed interest in the City's Downtown District as evidenced by a flurry of new real estate development in the immediate area.

- The City complies with GASB Statements 68 and 75, which established standards for measuring and recognizing pension and postemployment benefit liabilities, deferred outflows/inflows of resources and expense/expenditures. The implementation of these GASB Statements resulted in a significant change to the financial statements presentation of the City.

- Long-term debt obligations decreased from 2017 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.

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 2018?" 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.

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 seventeen 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 funds are 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 and for workers' compensation claim payments. 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 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	$18,309,588	$16,618,912	$11,216,014	$10,435,203	$29,525,602	$27,054,115
Noncurrent Assets:						
Net Pension Asset	1,321	0	1,321	0	2,642	0
Capital Assets, Net	36,477,021	37,632,217	28,685,147	29,374,994	65,162,168	67,007,211
Total Assets	54,787,930	54,251,129	39,902,482	39,810,197	94,690,412	94,061,326
Deferred Outflow of Resources						
Deferred Charge on Refunding	102,755	109,841	0	0	102,755	109,841
Pension	1,676,489	2,769,308	578,466	1,359,512	2,254,955	4,128,820
OPEB	850,796	38,216	123,055	24,021	973,851	62,237
Total Deferred Outflows of Resources	2,630,040	2,917,365	701,521	1,383,533	3,331,561	4,300,898
Liabilities						
Current Liabilities	778,443	1,306,580	173,116	200,644	951,559	1,507,224
Long-Term Liabilities						
Due Within One Year	1,118,673	908,447	1,325,953	1,309,719	2,444,626	2,218,166
Due in More Than One Year						
Net Pension Liability	10,295,693	11,689,917	2,384,272	3,495,945	12,679,965	15,185,862
Net OPEB Liability	8,921,007	7,667,428	1,617,487	1,526,666	10,538,494	9,194,094
Other Amounts	7,044,944	7,566,360	7,227,395	8,444,984	14,272,339	16,011,344
Total Liabilities	28,158,760	29,138,732	12,728,223	14,977,958	40,886,983	44,116,690
Deferred Inflow of Resources						
Property Taxes	556,498	533,848	0	0	556,498	533,848
Pension	1,001,342	179,147	589,786	85,205	1,591,128	264,352
OPEB	248,434	0	135,526	0	383,960	0
Total Deferred Inflows of Resources	1,806,274	712,995	725,312	85,205	2,531,586	798,200
Net Position						
Net Investment in Capital Assets	32,587,973	33,609,710	20,423,417	19,889,872	53,011,390	53,499,582
Restricted for:						
Revolving Loans	7,555,333	7,474,318	0	0	7,555,333	7,474,318
Street Construction, Maintenance and Repair	1,030,076	1,028,292	0	0	1,030,076	1,028,292
State Highway	53,397	52,096	0	0	53,397	52,096
Other Purposes	1,215,166	1,003,057	0	0	1,215,166	1,003,057
Unrestricted (Deficit)	(14,989,009)	(15,850,706)	6,727,051	6,240,695	(8,261,958)	(9,610,011)
Total Net Position	$27,452,936	$27,316,767	$27,150,468	$26,130,567	$54,603,404	$53,447,334

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting along with a restatement for workers' compensation claims payable and corresponding interfund receivable/payable. This implementation along with restatement also had the effect of restating governmental net position at December 31, 2017, from $35,238,721 to $27,316,767 and restating business-type net position at December 31, 2017 from $27,637,734 to $26,130,567.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. City-wide net position increased while governmental net position decreased offset by an increase in the business-type net position.

Net position of governmental activities decreased from the prior year due mainly to changes resulting from the calculations of both the net pension liability and the net OPEB liability. While the net pension liability decreased during 2018, there was a corresponding decrease in the deferred outflows and an increase in the deferred inflows associated with the pension. With the implementation of GASB 75, the City saw an increase in both the net OPEB liability and associated deferred inflows offset by an increase in deferred outflows for the OPEB. Governmental net position also decreased from a reduction in net capital assets with current year depreciation exceeding additions.

Net position of business-type activities increased from the prior year. The increase in business-type activities was due a drop in long-term debt obligations achieved through annual debt payments along with recognition of positive changes for the net pension liability. The increase in net position was partially offset by an increase in the net OPEB 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 2018 and 2017.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services and Assessments	$908,502	$1,524,607	$5,809,494	$5,738,914	$6,717,996	$7,263,521
Operating Grants and Contributions	1,506,137	847,211	0	0	1,506,137	847,211
Capital Grants and Contributions	1,667	282,543	314,136	313,608	315,803	596,151
Total Program Revenues	2,416,306	2,654,361	6,123,630	6,052,522	8,539,936	8,706,883
General Revenues						
Property Taxes	577,262	548,126	0	0	577,262	548,126
Income Taxes	10,402,464	8,916,876	1,156,883	1,009,238	11,559,347	9,926,114
Grants and Entitlements	704,155	731,915	0	0	704,155	731,915
Unrestricted Contributions	39,359	2,500	0	0	39,359	2,500
Interest	172,053	116,356	7,433	8,939	179,486	125,295
Other	110,534	113,877	83,178	120,596	193,712	234,473
Total General Revenues	12,005,827	10,429,650	1,247,494	1,138,773	13,253,321	11,568,423
Total Revenues	14,422,133	13,084,011	7,371,124	7,191,295	21,793,257	20,275,306
Program Expenses						
General Government	1,587,255	1,614,880	0	0	1,587,255	1,614,880
Security of Persons and Property:						
Police	3,972,979	3,896,448	0	0	3,972,979	3,896,448
Fire	2,538,365	2,330,281	0	0	2,538,365	2,330,281
Leisure Time Activities	770,961	776,487	0	0	770,961	776,487
Public Health and Welfare	20,475	20,475	0	0	20,475	20,475
Community Environment	580,852	606,293	0	0	580,852	606,293
Transportation	4,079,974	4,092,377	0	0	4,079,974	4,092,377
Basic Utility Services	39,312	28,785	0	0	39,312	28,785
Economic Development	468,270	279,115	0	0	468,270	279,115
Interest and Fiscal Charges	228,770	234,653	0	0	228,770	234,653
Water	0	0	3,577,872	3,513,807	3,577,872	3,513,807
Sewer	0	0	2,772,102	2,721,598	2,772,102	2,721,598
Total Program Expenses	14,287,213	13,879,794	6,349,974	6,235,405	20,637,187	20,115,199
Excess of Revenues Over (Under) Expenses	134,920	(795,783)	1,021,150	955,890	1,156,070	160,107
Transfers	1,249	113,000	(1,249)	(113,000)	0	0
Change in Net Position	136,169	(682,783)	1,019,901	842,890	1,156,070	160,107
Net Position Beginning of Year	27,316,767	N/A	26,130,567	N/A	53,447,334	N/A
Net Position End of Year	$27,452,936	$27,316,767	$27,150,468	$26,130,567	$54,603,404	$53,447,334

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 governmental and business-type functional expenses still include OPEB expense of $62,237 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned and adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 governmental and business-type statements report an OPEB expense of $839,869. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	$14,287,213	$6,349,974	$20,637,187
OPEB expense under GASB 75	(708,531)	(131,338)	(839,869)
2018 contractually required contribution	19,098	4,025	23,123
Adjusted 2018 program expenses	13,597,780	6,222,661	19,820,441
Total 2017 program expenses under GASB 45	13,879,794	6,235,405	20,115,199
Decrease in program expenses not related to OPEB	($282,014)	($12,744)	($294,758)

The overall financial strength and the net position of the City improved in 2018 from 2017 for reasons previously stated. The City also makes a conscious effort to follow our financial plan and live within our financial means.

Governmental Activities

The overall financial strength and the net position of the City improved in 2018 from 2017 for reasons previously stated. The City also makes a conscious effort to follow our financial plan and live within our financial means.

The City realized increases to general revenues in the current year. Increases to property taxes, municipal income taxes and interest highlight the year for the City. As mentioned previously, the City is experiencing a robust economy with renewed interest in the City's Downtown District with new developments. The increase in property taxes can be tied to an increase in the City's assessed valuation. The increase in interest can be tied to both an increase in cash to invest along with better rates.

The expenses for the City saw an increase which can be traced to the implementation of GASB 75, the unfunded net OPEB liability. Security of persons and property, specifically police and fire comprise the largest portion of the City's governmental expenses. The City has made safety forces a priority for the community as a whole. Transportation expenses make up the second largest portion of expenses for the City. The care and upkeep of the City's streets has been deemed significant for the Administration. General government expenses are the third largest portion of governmental expenses and are comprised of the departments responsible for the running of the City which include the Mayor, the Finance Department, the Law Director and City Council amongst others.

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. Business-type activities saw an increase in net position as the City realized increases from user charges and the previously mentioned income tax collections. Revenues as a whole continue to exceed expenses building healthy reserves.

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 2018, the City of Ravenna reported combined governmental fund balances of $15,460,365. Of this amount, $3,263,146 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 as previously mentioned. The revolving loan special revenue fund balance increased due to loan repayments received outpacing loans out for development. The street construction, maintenance and repair and EMS special revenue funds had an increase in fund balance due to an increase in income tax revenue as previously mentioned. The increase in the ending fund balance in the capital improvement fund was due to transfers in to supplement construction and from the monies used for taking on new capital leases.

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 general fund revenues including other financing sources were budgeted at $7,258,672 and final budgeted revenues including other financing sources were $7,357,361. The actual revenue received was higher than the original and final budgeted amounts from changes in the collection of income taxes and interest received as previously mentioned. 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.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for governmental-type activities of the City of Ravenna decreased from 2017 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 2018. 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 13 to the basic financial statements.

Long-term Obligations

At December 31, 2018, the City of Ravenna had governmental bonds, net pension and OPEB liabilities, capital leases and compensated absences outstanding. Municipal improvement, energy conservation and Library bonds comprise the bonded debt within governmental activities. Long-term business-type obligations include general obligation bonds, OPWC loans, OWDA loans, net pension and OPEB liabilities, capital leases and compensated absences.

The energy conservation bonds were issued in 2012 to provide funding for a City-wide energy conservation improvement project. 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.

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 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 2018, the City witnessed total income tax receipts exceed the $10 million mark (cash basis) for the first time in the City's history. As a result of this, the general fund finished the year with a high water mark of $6 million in income tax revenues. The total general fund tax revenues were comprised of $5 million of general operating receipts and $1 million of safety levy receipts. Both these numbers exceeded the forecasts as budgeted revenues. As a component of the City's $10 million (cash basis) in income tax received in 2018, the general fund's receipts represented 57.6 percent of total revenue.

A comparison of 2018 to 2017 reveals that the City's total income tax receipts were up approximately $500,000 in 2018, with the general fund increase being approximately $300,000 (cash basis) over last year's actual.

Looking at the income tax numbers for 2018, employee withholding remains the largest revenue segment as payroll taxes represented 81 percent of all income tax received followed by business net profit returns at 10 percent and individual returns at 9 percent. The $8,340,342 in Employee Withholding tax collected in 2018 topped the previous all-time high of $8,099,419 set last year. This $240,923 increase accounts for nearly half of the $506,161 total tax receipt increase for the year as noted above. It also must be noted that it's the City's anchor industries and professions that continue to grow and expand, providing Ravenna's solid economic foundation.

Total non-income tax general fund revenues finished over of budget for the year. Gains in interest income, insurance recoveries and cable franchise fees were offset by revenues budget shortfalls in plan examiner fees, co-operative economic development funding and the reimbursement for the School Resource Officer with the latter being due to a change in funding methodology.

General fund expenses for 2018 also finished favorably compared to budget, as total expenditures were well below the budgeted amount. This decrease in spending is attributable to a variety of factors with the main one being that the self-insured health care claim costs ended significantly below the projection for the year. As noted in the past, the City is self-insured and annual budgets for healthcare costs are based on an actuarially-calculated maximum liability exposure. For 2018, the City's actual City-wide net healthcare costs finished at $1,637,740 versus the budgeted maximum liability amount of $2,038,454, producing a savings of $400,714. Of this amount, the general fund savings was $248,727.

In addition to the healthcare add-back, the City was bolstered by another premium rebate from the Bureau of Workers' Compensation. For 2018 the BWC total rebate of $159,140 contained $88,725 of direct general fund savings that more than fully offset the projected workers comp premium for the year.

Another significant savings was realized when the reserve for safety equipment line was not used, adding back $80,000 to unspent funds for the year.

The sum of the parts is that increased revenues coupled with the reduction in budgeted expenses created a net operating surplus for the year. As evidenced by the year end numbers, not only did revenues hit a historical peak, but controllable operating expenses were held to a minimum. It should be noted that while a recent income tax levy did fortify the general fund to the tune of $1 million per year; many non-payroll operating expenses have been held at prior year levels. The material cost increases over the past two years were attributable to adding back staffing in the Police and Fire Departments as part of the safety levy commitment made by the City to the voters. And even without the 2018 outliers such as low healthcare claims or a hefty BWC Premium rebate, the City has not allowed non-payroll operating budgets to crawl upward as revenues have increased.

In the end, 2018 finished with a $2,929,941 year-end cash balance, after encumbrances, in the general fund. This was a far cry from the 2015 ending balance of $441,211 when there were legitimate concerns that operating funds were so low that the City wouldn't be able to cover general fund payroll and payables in early stages of 2016. For the City, the $2.9 million fund balance now becomes more than cash in the bank. It represents an opportunity to rectify two specific items that continue to linger despite the rebound in the general fund.

First is the Auditor of State's Financial Health Index Rating that the City of Ravenna is still trying to repair. Past MD&A letters have made mention of this annual report issued by the Auditor's Office and the City's inability to meet a "stable" status that serves as an indicator of overall financial well-being. Moving into the City's third year of the report, it is anticipated the $2.9 million dollar ending balance in the general fund will be sufficient to rectify the final report deficiency that specifically addressed the City's inability to produce a fund balance equivalent to 2 months of operating revenues. It is hopeful that the final 2018 numbers will put this last item to rest.

Finally, the other critical need for a healthy general fund balance relates to the City's bond rating. As noted last year, the City's declining annual general fund performances eventually lead to a rating downgrade by Moody's. The A2 rating going into 2015 was re-issued as a Baa1 in 2016, reflecting the serious and dire situation the City faced at the end of 2015. The Moody's 2017 report noted an improvement in their Rating Outlook narrative, deeming the City "Stable" rather than "Negative". Trying once more in 2018, despite marked improvement, Moody's again would not consider an upgrade until there was a historical trend of 2 to 3 years to base their re-evaluation upon. The City will approach Moody's again in 2019, this time with a $2.9 million general fund balance, in an effort to make the case for a Bond rating upgrade. While the City does not have any general obligation financing plans on the table for the immediate future, the inability to sell assessment bonds and the inability to leverage and underwrite other forms of financing, such as leases, has been a reality over the past two years.

In summary, the resurgence of the City's general fund financial performance that began in 2017 continued into 2018, and to say that the final numbers for the year were a pleasant surprise, would be an understatement. The combination of aggressive budgetary oversight with a few fortuitous events, which were noted above, helped the City achieve an unprecedented annual operating surplus. And now the challenge at hand becomes maintaining and preserving operating surpluses moving forward. This can only be achieved with a commitment on the part of the City Leaders to adopt a budgetary policy that requires projected annual revenues and expenses to be at no less than the break-even point. And any departure from this philosophy, where a decision is made to spend "into" a fund balance, must be done by design and with an accompanying strategy to recover the amount spent. The City must also be aware that any spending beyond annual revenues must be balanced with the ability to manage the volatility of self-insured healthcare claim costs. From one year to the next, the shift in healthcare costs has proven to be the single largest item that can impact financial outcomes. 2018 serves as an example of how favorable healthcare costs contributed to a substantial annual surplus. The same may not always be true in years to come. With the goal of managing annual finances to the break-even point as an objective, and notwithstanding a precipitous decline in revenue as witnessed a decade ago, the single biggest deficit driver continues to be the cost of labor. Not just in terms of numbers employed but also by the escalating impact of annual pay increases awarded in the absence of any revenue increases to counteract the costs. And it goes without saying that attempting to project the financial impact of a multi-year labor deal is often times an abstraction at best.

For the City of Ravenna, it must be remembered that the safety levy that went into effect in 2016 enabled the City to maintain existing safety forces by offsetting the portion of a general fund deficit that was attributable to safety operations. Better than half the monies generated from the levy were needed to do so. The balance of the levy funds were used to make police and fire staffing whole again, based on ordinance levels. There were also wage increases awarded in 2017, 2018 and into 2019. And with these increases come the indicators that revenues and expenses are beginning to compress back toward the break-even point. Now is the time the City needs to react to those indicators by taking a hard look at the impact that any future cost increases may have on its annual general fund operating position.

As for using 2018 as a financial barometer, a large part of the $1.2 million general fund operating surplus was the byproduct of significant healthcare cost savings, program rebates and a spiking local economy. It may be prudent to view this year-end number as perhaps a skewed reading of true future general fund annual performance. That being said, it would be equally as prudent for the City to measure a two to three-year sample to see exactly where revenues and expenses fall out and stabilize. Until then, it would be a calculated risk for City Leaders to commit to spending commensurate with any projections based on 2018.

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.

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Basic Financial Statements

City of Ravenna, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$7,640,542	$7,347,309	$14,987,851
Materials and Supplies Inventory	38,335	171,885	210,220
Accrued Interest Receivable	2,554	0	2,554
Accounts Receivable, Net	673,104	623,453	1,296,557
Internal Balances	(315,564)	315,564	0
Intergovernmental Receivable	489,473	2,462,744	2,952,217
Prepaid Items	63,298	37,230	100,528
Income Taxes Receivable	2,320,457	257,829	2,578,286
Property Taxes Receivable	592,927	0	592,927
Special Assessments Receivable	44,529	0	44,529
Loans Receivable	6,759,933	0	6,759,933
Net Pension Asset	1,321	1,321	2,642
Nondepreciable Capital Assets	1,693,970	1,827,981	3,521,951
Depreciable Capital Assets, Net	34,783,051	26,857,166	61,640,217
Total Assets	54,787,930	39,902,482	94,690,412
Deferred Outflows of Resources			
Deferred Charge on Refunding	102,755	0	102,755
Pension	1,676,489	578,466	2,254,955
OPEB	850,796	123,055	973,851
Total Deferred Outflows of Resources	2,630,040	701,521	3,331,561
Liabilities			
Accounts Payable	113,232	38,870	152,102
Accrued Wages	236,295	92,465	328,760
Intergovernmental Payable	195,082	36,305	231,387
Retainage Payable	34,897	0	34,897
Matured Compensated Absences Payable	2,308	0	2,308
Accrued Interest Payable	22,259	5,476	27,735
Claims Payable	174,370	0	174,370
Long-Term Liabilities:			
Due Within One Year	1,118,673	1,325,953	2,444,626
Due In More Than One Year			
Net Pension Liability (See Note 16)	10,295,693	2,384,272	12,679,965
Net OPEB Liability (See Note 17)	8,921,007	1,617,487	10,538,494
Other Amounts Due in More than One Year	7,044,944	7,227,395	14,272,339
Total Liabilities	28,158,760	12,728,223	40,886,983
Deferred Inflow of Resources			
Property Taxes	556,498	0	556,498
Pension	1,001,342	589,786	1,591,128
OPEB	248,434	135,526	383,960
Total Deferred Inflows of Resources	1,806,274	725,312	2,531,586
Net Position			
Net Investment in Capital Assets	32,587,973	20,423,417	53,011,390
Restricted for:			
Revolving Loans	7,555,333	0	7,555,333
Street Construction, Maintenance and Repair	1,030,076	0	1,030,076
State Highway	53,397	0	53,397
Other Purposes	1,215,166	0	1,215,166
Unrestricted (Deficit)	(14,989,009)	6,727,051	(8,261,958)
Total Net Position	$27,452,936	$27,150,468	$54,603,404

See accompanying notes to the basic financial statements

City of Ravenna, Ohio

Statement of Activities

For the Year Ended December 31, 2018

		Program Revenues		
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	$1,587,255	$146,676	$0	$0
Security of Persons and Property:				
Police	3,972,979	205,760	7,020	0
Fire	2,538,365	0	5,402	0
Leisure Time Activities	770,961	231,127	504	1,667
Public Health and Welfare	20,475	0	0	0
Community Environment	580,852	280,471	0	0
Transportation	4,079,974	44,468	841,485	0
Basic Utility Services	39,312	0	0	0
Economic Development	468,270	0	651,726	0
Interest and Fiscal Charges	228,770	0	0	0
Total Governmental Activities	14,287,213	908,502	1,506,137	1,667
Business-Type Activities:				
Water	3,577,872	2,871,387	0	214,335
Sewer	2,772,102	2,938,107	0	99,801
Total Business-Type Activities	6,349,974	5,809,494	0	314,136
Total	$20,637,187	$6,717,996	$1,506,137	$315,803

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 (Restated - See Note 22)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
($1,440,579)	$0	($1,440,579)
(3,760,199)	0	(3,760,199)
(2,532,963)	0	(2,532,963)
(537,663)	0	(537,663)
(20,475)	0	(20,475)
(300,381)	0	(300,381)
(3,194,021)	0	(3,194,021)
(39,312)	0	(39,312)
183,456	0	183,456
(228,770)	0	(228,770)
(11,870,907)	0	(11,870,907)
0	(492,150)	(492,150)
0	265,806	265,806
0	(226,344)	(226,344)
(11,870,907)	(226,344)	(12,097,251)
577,262	0	577,262
6,651,727	0	6,651,727
1,836,052	0	1,836,052
462,669	0	462,669
370,135	0	370,135
1,081,881	0	1,081,881
0	1,156,883	1,156,883
704,155	0	704,155
39,359	0	39,359
172,053	7,433	179,486
110,534	83,178	193,712
12,005,827	1,247,494	13,253,321
1,249	(1,249)	0
12,007,076	1,246,245	13,253,321
136,169	1,019,901	1,156,070
27,316,767	26,130,567	53,447,334
$27,452,936	$27,150,468	$54,603,404

City of Ravenna, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	$2,941,562	$799,567	$934,590	$0	$1,121,355	$1,841,603	$7,638,677
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	1,865	0	0	0	0	0	1,865
Materials and Supplies Inventory	25,623	0	8,980	0	0	3,732	38,335
Accounts Receivable	43,565	0	211	566,260	4,263	58,805	673,104
Accrued Interest Receivable	2,554	0	0	0	0	0	2,554
Interfund Receivable	4,156	0	0	0	0	0	4,156
Intergovernmental Receivable	188,006	0	257,662	804	0	43,001	489,473
Prepaid Items	45,505	0	7,236	0	354	10,203	63,298
Income Taxes Receivable	1,484,061	0	151,603	82,505	189,762	412,526	2,320,457
Property Taxes Receivable	592,927	0	0	0	0	0	592,927
Special Assessments Receivable	42,833	0	0	0	0	1,696	44,529
Loans Receivable	0	6,759,933	0	0	0	0	6,759,933
Total Assets	$5,372,657	$7,559,500	$1,360,282	$649,569	$1,315,734	$2,371,566	$18,629,308
Liabilities							
Accounts Payable	$23,105	$4,167	$62,690	$0	$19,340	$3,930	$113,232
Accrued Wages	196,642	0	24,711	0	1,228	13,714	236,295
Intergovernmental Payable	101,637	0	9,453	0	502	5,760	117,352
Matured Compensated Absences Payable	2,308	0	0	0	0	0	2,308
Retainage Payable	0	0	0	0	34,897	0	34,897
Interfund Payable	67,021	0	71,028	804	0	350,778	489,631
Total Liabilities	390,713	4,167	167,882	804	55,967	374,182	993,715
Deferred Inflows of Resources							
Property Taxes	556,498	0	0	0	0	0	556,498
Unavailable Revenue	653,656	0	203,324	547,117	56,530	158,103	1,618,730
Total Deferred Inflows of Resources	1,210,154	0	203,324	547,117	56,530	158,103	2,175,228
Fund Balances							
Nonspendable	72,993	0	16,216	0	354	13,935	103,498
Restricted	0	7,555,333	972,860	0	0	1,156,375	9,684,568
Committed	0	0	0	101,648	1,202,883	1,014,153	2,318,684
Assigned	90,469	0	0	0	0	0	90,469
Unassigned (Deficit)	3,608,328	0	0	0	0	(345,182)	3,263,146
Total Fund Balances	3,771,790	7,555,333	989,076	101,648	1,203,237	1,839,281	15,460,365
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$5,372,657	$7,559,500	$1,360,282	$649,569	$1,315,734	$2,371,566	$18,629,308

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, 2018

Total Governmental Fund Balances		$15,460,365
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,477,021
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	$36,429	
Income Taxes	691,262	
Intergovernmental	323,971	
Charges for Services	524,235	
Special Assessments	42,833	
Total		1,618,730
The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds:		
Net Pension Asset	1,321	
Deferred Outflows - Pension	1,676,489	
Net Pension Liability	(10,295,693)	
Deferred Inflows - Pension	(1,001,342)	
Deferred Outflows - OPEB	850,796	
Net OPEB Liability	(8,921,007)	
Deferred Inflows - OPEB	(248,434)	
Total		(17,937,870)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal funds are included in governmental activities in the statement of net position:		
Net Position	(76,793)	
Internal Balances	(5,396)	
Total		(82,189)
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.		(22,259)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,363,789)	
Library Bonds	(3,283,569)	
Capital Leases Payable	(592,843)	
Compensated Absences	(923,416)	
Deferred Charge on Refunding	102,755	
Total		(8,060,862)
Net Position of Governmental Activities		$27,452,936

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, 2018

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	$571,839	$0	$0	$0	$0	$0	$571,839
Income Taxes	6,587,669	0	673,578	366,574	842,355	1,832,128	10,302,304
Intergovernmental	414,561	221,128	803,803	5,402	0	761,925	2,206,819
Interest	137,019	35,034	0	0	0	0	172,053
Fees, Licenses and Permits	463,378	0	0	0	0	220	463,598
Fines and Forfeitures	25,379	0	0	0	0	6,107	31,486
Rentals	974	0	0	0	35,745	7,527	44,246
Charges for Services	0	0	5,685	456,064	3,038	502,447	967,234
Contributions and Donations	39,359	0	0	0	0	2,171	41,530
Special Assessments	0	0	0	0	0	38,922	38,922
Other	25,075	115	4,586	612	25,454	54,692	110,534
Total Revenues	8,265,253	256,277	1,487,652	828,652	906,592	3,206,139	14,950,565
Expenditures							
Current:							
General Government	1,433,100	0	0	0	0	950	1,434,050
Security of Persons and Property:							
Police	3,562,870	0	0	0	0	10,575	3,573,445
Fire	1,337,563	0	0	808,818	0	0	2,146,381
Leisure Time Activities	0	0	0	0	0	573,408	573,408
Community Environment	24,069	0	0	0	0	257,829	281,898
Transportation	0	0	1,478,767	0	0	1,018,337	2,497,104
Economic Development	0	175,262	0	0	0	293,008	468,270
Capital Outlay	0	0	0	0	738,853	104,431	843,284
Debt Service:							
Principal Retirement	37,715	0	0	0	305,592	233,093	576,400
Interest and Fiscal Charges	181	0	0	0	87,654	140,730	228,565
Total Expenditures	6,395,498	175,262	1,478,767	808,818	1,132,099	2,632,361	12,622,805
Excess of Revenues Over (Under) Expenditures	1,869,755	81,015	8,885	19,834	(225,507)	573,778	2,327,760
Other Financing Sources (Uses)							
Sale of Capital Assets	30,000	0	0	0	0	0	30,000
Inception of Capital Lease	0	0	0	0	251,503	0	251,503
Transfers In	0	0	0	0	153,662	48,199	201,861
Transfers Out	0	0	0	0	(12,761)	(187,851)	(200,612)
Total Other Financing Sources (Uses)	30,000	0	0	0	392,404	(139,652)	282,752
Net Change in Fund Balances	1,899,755	81,015	8,885	19,834	166,897	434,126	2,610,512
Fund Balances Beginning of Year (Restated - See Note 22)	1,872,035	7,474,318	980,191	81,814	1,036,340	1,405,155	12,849,853
Fund Balances End of Year	$3,771,790	$7,555,333	$989,076	$101,648	$1,203,237	$1,839,281	$15,460,365

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, 2018

Net Change in Fund Balances - Total Governmental Funds		$2,610,512
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	$787,093	
Current Year Depreciation	(1,825,689)	
Total		(1,038,596)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(116,600)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Delinquent Property Taxes	5,423	
Income Taxes	100,160	
Intergovernmental	2,969	
Charges for Services	(636,197)	
Special Assessments	(787)	
Total		(528,432)
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.		(251,503)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		576,400
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	880	
Accrued Interest on Capital Lease	(1,310)	
Amortization of Discount	(1,450)	
Amortization of Premium	8,761	
Amortization of Deferred Charge on Refunding	(7,086)	
Total		(205)
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.		(21,018)
Internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental and business-type activities:		
Change in Net Position	119,909	
Change in Internal Balances	(5,396)	
Total		114,513
Contractually required contributions are reported as expenditures in governmental funds: however, the statement of net position reports these amounts as deferred outflows:		
Pension		912,692
OPEB		19,098
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:		
Pension		(1,432,161)
OPEB		(708,531)
Change in Net Position of Governmental Activities		$136,169

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$541,277	$548,674	$571,839	$23,165
Income Taxes	5,571,298	5,647,430	6,008,582	361,152
Intergovernmental	454,208	460,415	433,441	(26,974)
Interest	108,402	109,883	152,531	42,648
Fees, Licenses and Permits	465,381	471,740	478,157	6,417
Fines and Forfeitures	14,947	15,151	21,695	6,544
Rentals	1,233	1,250	974	(276)
Contributions and Donations	50,667	51,359	39,359	(12,000)
Other	14,629	14,829	31,782	16,953
Total Revenues	7,222,042	7,320,731	7,738,360	417,629
Expenditures				
Current:				
General Government	1,767,415	1,807,075	1,592,262	214,813
Security of Persons and Property:				
Police	3,779,759	3,864,733	3,631,353	233,380
Fire	1,413,001	1,444,723	1,341,030	103,693
Community Environment	53,790	55,000	23,985	31,015
Total Expenditures	7,013,965	7,171,531	6,588,630	582,901
Excess of Revenues Over (Under) Expenditures	208,077	149,200	1,149,730	1,000,530
Other Financing Sources (Uses)				
Sale of Capital Assets	30,000	30,000	30,000	0
Advances In	6,630	6,630	9,178	2,548
Advances Out	(17,772)	(17,772)	(9,074)	8,698
Total Other Financing Sources (Uses)	18,858	18,858	30,104	11,246
Net Change in Fund Balance	226,935	168,058	1,179,834	1,011,776
Fund Balance Beginning of Year	1,738,801	1,738,801	1,738,801	0
Prior Year Encumbrances Appropriated	11,306	11,306	11,306	0
Fund Balance End of Year	$1,977,042	$1,918,165	$2,929,941	$1,011,776

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Interest	$49,000	$49,000	$35,034	($13,966)
Other	276,350	276,350	190,800	(85,550)
Total Revenues	325,350	325,350	225,834	(99,516)
Expenditures				
Current:				
Economic Development	872,244	873,294	692,669	180,625
Net Change in Fund Balance	(546,894)	(547,944)	(466,835)	81,109
Fund Balance Beginning of Year	603,890	603,890	603,890	0
Prior Year Encumbrances Appropriated	662,512	662,512	662,512	0
Fund Balance End of Year	$719,508	$718,458	$799,567	$81,109

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Income Taxes	$577,140	$577,140	$614,429	$37,289
Intergovernmental	722,500	722,500	812,511	90,011
Charges for Services	1,000	1,000	5,685	4,685
Other	5,583	5,583	5,156	(427)
Total Revenues	1,306,223	1,306,223	1,437,781	131,558
Expenditures				
Current:				
Transportation	1,699,845	1,717,194	1,515,297	201,897
Net Change in Fund Balance	(393,622)	(410,971)	(77,516)	333,455
Fund Balance Beginning of Year	1,011,564	1,011,564	1,011,564	0
Prior Year Encumbrances Appropriated	542	542	542	0
Fund Balance End of Year	$618,484	$601,135	$934,590	$333,455

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Income Taxes	$300,412	$314,090	$334,383	$20,293
Intergovernmental	8,050	9,001	8,197	(804)
Charges for Services	479,000	489,746	469,442	(20,304)
Other	1,018	1,045	828	(217)
Total Revenues	788,480	813,882	812,850	(1,032)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	788,647	810,251	810,021	230
Excess of Revenues Over (Under) Expenditures	(167)	3,631	2,829	(802)
Other Financing Sources (Uses)				
Advances In	0	5,402	5,402	0
Advances Out	0	(8,398)	(8,398)	0
Total Other Financing Sources (Uses)	0	(2,996)	(2,996)	0
Net Change in Fund Balance	(167)	635	(167)	(802)
Fund Balance Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	167	167	167	0
Fund Balance End of Year	$0	$802	$0	($802)

See accompanying notes to the basic financial statements

City of Ravenna, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Business-Type Activities - Enterprise			
	Water	Sewer	Total	Internal Service
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$4,445,337	$2,901,972	$7,347,309	$0
Materials and Supplies Inventory	161,836	10,049	171,885	0
Accounts Receivable	309,983	313,470	623,453	0
Intergovernmental Receivable	0	2,462,744	2,462,744	0
Prepaid Items	26,028	11,202	37,230	0
Income Taxes Receivable	257,829	0	257,829	0
Interfund Receivable	345,182	0	345,182	175,307
Total Current Assets	5,546,195	5,699,437	11,245,632	175,307
Noncurrent Assets:				
Net Pension Asset	740	581	1,321	0
Nondepreciable Capital Assets	1,545,521	282,460	1,827,981	0
Depreciable Capital Assets, Net	15,346,379	11,510,787	26,857,166	0
Total Noncurrent Assets	16,892,640	11,793,828	28,686,468	0
Total Assets	22,438,835	17,493,265	39,932,100	175,307
Deferred Outflows of Resources				
Pension	323,942	254,524	578,466	0
OPEB	68,911	54,144	123,055	0
Total Deferred Outflows of Resources	392,853	308,668	701,521	0
Liabilities				
Current Liabilities:				
Accounts Payable	22,119	16,751	38,870	0
Accrued Wages	50,194	42,271	92,465	0
Intergovernmental Payable	20,125	16,180	36,305	77,730
Interfund Payable	20,222	14,792	35,014	0
Accrued Interest Payable	4,070	1,406	5,476	0
Compensated Absences Payable	46,430	40,635	87,065	0
Capital Leases Payable	58,651	18,316	76,967	0
OPWC Loans Payable	43,938	0	43,938	0
OWDA Loans Payable	115,261	921,722	1,036,983	0
General Obligation Bonds Payable	54,000	27,000	81,000	0
Claims Payable	0	0	0	174,370
Total Current Liabilities	435,010	1,099,073	1,534,083	252,100
Long-Term Liabilities (net of current portion):				
Compensated Absences Payable	110,840	68,839	179,679	0
Capital Leases Payable	79,818	17,073	96,891	0
OPWC Loans Payable	541,065	0	541,065	0
OWDA Loans Payable	502,735	4,636,401	5,139,136	0
General Obligation Bonds Payable	847,083	423,541	1,270,624	0
Net Pension Liability	1,335,192	1,049,080	2,384,272	0
Net OPEB Liability	905,793	711,694	1,617,487	0
Total Long-Term Liabilities	4,322,526	6,906,628	11,229,154	0
Total Liabilities	4,757,536	8,005,701	12,763,237	252,100
Deferred Inflows of Resources				
Pension	327,032	262,754	589,786	0
OPEB	75,895	59,631	135,526	0
Total Deferred Inflows of Resources	402,927	322,385	725,312	0
Net Position				
Net Investment in Capital Assets	14,666,011	5,757,406	20,423,417	0
Unrestricted (Deficit)	3,005,214	3,716,441	6,721,655	(76,793)
Total Net Position	$17,671,225	$9,473,847	27,145,072	($76,793)
Net position reported for business-type activities in the statement of net position are different because they include accumulated underpayments to the internal service fund:			5,396	
			$27,150,468	

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, 2018

	Business-Type Activities - Enterprise			
	Water	Sewer	Total	Internal Service
Operating Revenues				
Charges for Services	$2,802,762	$2,938,107	$5,740,869	$1,869,287
Fees, Licenses and Permits	68,625	0	68,625	0
Other	26,068	57,110	83,178	0
Total Operating Revenues	2,897,455	2,995,217	5,892,672	1,869,287
Operating Expenses				
Personal Services	1,829,781	1,481,591	3,311,372	0
Materials and Supplies	717,380	335,453	1,052,833	0
Contractual Services	322,199	371,708	693,907	580,738
Depreciation	668,071	543,276	1,211,347	0
Claims	0	0	0	1,221,776
Change in Worker's Compensation Estimate	0	0	0	(53,136)
Total Operating Expenses	3,537,431	2,732,028	6,269,459	1,749,378
Operating Income (Loss)	(639,976)	263,189	(376,787)	119,909
Non-Operating Revenues (Expenses)				
Interest	7,433	0	7,433	0
Municipal Income Taxes	1,156,883	0	1,156,883	0
Interest and Fiscal Charges	(45,141)	(40,770)	(85,911)	0
Total Non-Operating Revenues (Expenses)	1,119,175	(40,770)	1,078,405	0
Income (Loss) before Capital Contributions and Transfers	479,199	222,419	701,618	119,909
Capital Contributions	214,335	99,801	314,136	0
Transfers Out	(1,249)	0	(1,249)	0
Change in Net Position	692,285	322,220	1,014,505	119,909
Net Position Beginning of Year (Restated - See Note 22)	16,978,940	9,151,627		(196,702)
Net Position End of Year	$17,671,225	$9,473,847		($76,793)
Some amounts reported for business-type activities in the statement of activities are different because a portion of the net expense of the internal service fund is reported with business-type activities.			5,396	
Change in net position of business-type activities			$1,019,901	

See accompanying notes to the basic financial statements

City of Ravenna, Ohio

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise			
	Water	Sewer	Total	Internal Service
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$2,848,454	$2,993,009	$5,841,463	$0
Cash Received from Interfund Services Provided	0	0	0	1,960,987
Other Operating Revenues	26,527	56,955	83,482	0
Cash Payments for Employee Services and Benefits	(1,632,224)	(1,370,443)	(3,002,667)	0
Cash Payments to Suppliers for Materials and Supplies	(731,818)	(327,388)	(1,059,206)	0
Cash Payments for Contractual Services	(317,793)	(376,166)	(693,959)	(580,738)
Cash Payments for Interfund Services Provided	(3,324)	(492)	(3,816)	0
Cash Payments to State Bureau of Workers' Compensation for Claims	0	0	0	(100,562)
Cash Payments for Claims	0	0	0	(1,279,687)
Net Cash Provided by (Used for) Operating Activities	189,822	975,475	1,165,297	0
Cash Flows from Noncapital Financing Activities Financing Activities				
Municipal Income Taxes	1,044,948	0	1,044,948	0
Cash repaid from Other Funds	371,670	0	371,670	0
Cash loaned to Other Funds	(345,182)	0	(345,182)	0
Transfers Out	(1,249)	0	(1,249)	0
Net Cash Provided by (Used for) Noncapital Financing Activities	1,070,187	0	1,070,187	0
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(521,500)	0	(521,500)	0
Capital Contributions	214,335	460,761	675,096	0
Principal Paid on General Obligation Bonds	(53,000)	(26,500)	(79,500)	0
Principal Paid on OWDA Loans	(111,371)	(917,057)	(1,028,428)	0
Principal Paid on OPWC Loans	(45,667)	0	(45,667)	0
Principal Paid on Capital Leases	(57,359)	(18,001)	(75,360)	0
Interest Paid on General Obligation Bonds	(24,333)	(12,166)	(36,499)	0
Interest Paid on OWDA Loans	(21,053)	(27,971)	(49,024)	0
Interest Paid on Capital Leases	(1,596)	(1,358)	(2,954)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(621,544)	(542,292)	(1,163,836)	0
Cash Flows from Investing Activities				
Interest on Investments	7,433	0	7,433	0
Net Increase (Decrease) in Cash and Cash Equivalent	645,898	433,183	1,079,081	0
Cash and Cash Equivalents Beginning of Year	3,799,439	2,468,789	6,268,228	0
Cash and Cash Equivalents End of Year	$4,445,337	$2,901,972	$7,347,309	$0

(continued)

City of Ravenna, Ohio

Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise			
	Water	Sewer	Total	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	($639,976)	$263,189	($376,787)	$119,909
Adjustments:				
Depreciation	668,071	543,276	1,211,347	0
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	(22,950)	(9,113)	(32,063)	0
Intergovernmental Receivable	307	63,860	64,167	0
Materials and Supplies Inventory	19,341	(524)	18,817	0
Interfund Receivable	0	0	0	91,700
Prepaid Items	(1,701)	(491)	(2,192)	0
Net Pension Asset	(134)	(106)	(240)	0
Deferred Outflows - Pension	253,682	199,324	453,006	0
Deferred Outflows - OPEB	43,066	33,838	76,904	0
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	(33,092)	4,622	(28,470)	0
Accrued Wages	5,661	4,697	10,358	0
Compensated Absences Payable	21,952	7,049	29,001	0
Interfund Payable	(13,179)	(11,919)	(25,098)	0
Intergovernmental Payable	(1,991)	(1,738)	(3,729)	(22,832)
Claims Payable	0	0	0	(188,777)
Net Pension Liability	29,034	22,819	51,853	0
Net OPEB Liability	49,124	38,595	87,719	0
Deferred Inflows - Pension	(166,499)	(165,487)	(331,986)	0
Deferred Inflows - OPEB	(20,894)	(16,416)	(37,310)	0
Total Adjustments	829,798	712,286	1,542,084	(119,909)
Net Cash Provided by (Used for) Operating Activities	$189,822	$975,475	$1,165,297	$0

See accompanying notes to the basic financial statements

City of Ravenna, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$19,364
Liabilities	
Deposits Held and Due to Others	$19,364

See accompanying notes to the basic financial statements

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 14 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 15 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.

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 funds are 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.

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 funds are a self-insurance fund that accounts for dental, life and hospital/medical claims of the City’s employees and a workers’ compensation fund.

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the Balance 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, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charge on refunding, for pension and OPEB. 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 and OPEB are explained in Notes 16 and 17.

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, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 23. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 16 and 17)

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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension asset, the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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 2018, the City invested in repurchase agreements, STAR Ohio, federal home loan bank notes, federal national mortgage association notes and negotiable certificates of deposit.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City 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 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 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 2018 amounted to $137,019 which includes $101,816 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, 2018, 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.

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.

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.

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.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

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 judgements and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. 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 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 the law enforcement, enforcement and education and housing and urban development.

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

Deferred Charge on Refunding

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

Operating Revenues and Expenses

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

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. There was no budget adopted for the workers' compensation internal service fund in 2018 as there was no budgetary activity for 2018. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control is at the department and personal service and other object level for all funds. The Director of Finance is authorized to allocate appropriations among objects within any department. Any budgetary modifications at the legal level of control may only be made by ordinance of the City Council.

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

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

Note 3 – 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
Nonspendable:							
Inventory	$25,623	$0	$8,980	$0	$0	$3,732	$38,335
Prepaids	45,505	0	7,236	0	354	10,203	63,298
Unclaimed Monies	1,865	0	0	0	0	0	1,865
Total Nonspendable	72,993	0	16,216	0	354	13,935	103,498
Restricted for:							
Revolving Loans	0	7,555,333	0	0	0	0	7,555,333
Street Maintenance	0	0	972,860	0	0	999,382	1,972,242
Law Enforcement	0	0	0	0	0	19,403	19,403
Community Development	0	0	0	0	0	137,590	137,590
Total Restricted	0	7,555,333	972,860	0	0	1,156,375	9,684,568
Committed to:							
Ambulance Service	0	0	0	101,648	0	0	101,648
Recreation	0	0	0	0	0	344,255	344,255
Recycling	0	0	0	0	0	53,706	53,706
Capital Improvements	0	0	0	0	1,202,883	616,192	1,819,075
Total Committed	0	0	0	101,648	1,202,883	1,014,153	2,318,684
Assigned to:							
Purchases on Order:							
General Government	12,103	0	0	0	0	0	12,103
Police	68,910	0	0	0	0	0	68,910
Fire	9,456	0	0	0	0	0	9,456
Total Assigned	90,469	0	0	0	0	0	90,469
Unassigned (Deficit)	3,608,328	0	0	0	0	(345,182)	3,263,146
Total Fund Balances	$3,771,790	$7,555,333	$989,076	$101,648	$1,203,237	$1,839,281	$15,460,365

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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

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

4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions.

5. Investments are reported at fair value (GAAP) rather than cost (budget basis).

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

Net Change in Fund Balances

	General	Revolving Loan	Street Construction, Maintenance and Repair	EMS
GAAP Basis	$1,899,755	$81,015	$8,885	$19,834
Net Adjustment for Revenue Accruals	(542,674)	(221,128)	(49,871)	(15,802)
Beginning Fair Value Adjustment for Investments	(61,344)	0	0	0
Ending Fair Value Adjustment for Investments	77,125	0	0	0
Advances In	9,178	0	0	5,402
Loan Payments Received	0	190,685	0	0
Net Adjustment for Expenditures Accruals	(102,521)	52,796	(36,530)	(1,203)
Advances Out	(9,074)	0	0	(8,398)
Loans Issued	0	(662,512)	0	0
Loans Written Off	0	92,309	0	0
Encumbrances	(90,611)	0	0	0
Budget Basis	$1,179,834	($466,835)	($77,516)	($167)

Note 5 – Accountability

At December 31, 2018, the special assessment bond retirement debt service fund had a fund deficit of $345,182. Additionally, the workers compensation internal service fund had a deficit balance of $76,793 caused by claims expense outpacing charges for services. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

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.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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 may also invest any monies not required to be used for a specific 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, 2018, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Cost				
Repurchase Agreements	$5,815,416	Daily	AAA	53.74 %
Net Asset Value Per Share				
STAR Ohio	496,888	Average 44.9 days	AAAm	N/A
Fair Value - Level Two Inputs				
Federal Home Loan Bank Notes	1,971,190	Less than three years	AA+	18.21
Federal National Mortgage Association Notes	2,046,724	Less than three years	AA+	18.91
Negotiable Certificates of Deposit	492,000	Less than five years	AA+	4.55
Total Fair Value - Level Two Inputs	4,509,914			
Total	$10,822,218			

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, 2018. 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, 2018 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.

Receivables are recorded net of an allowance for estimated uncollectible amounts. This allowance is based on a historical percentage of collection amounts billed. The City has estimated $720,104 in uncollectible billings for user charged services. 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 $6,569,248.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes become a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $3.40 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	$111,620,570
Other Real Estate	59,509,810
Tangible Personal Property	
Public Utility	5,692,930
Total Assessed Values	$176,823,310

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, 2018 and for which there is an enforceable legal claim. In the general fund, the portion of the receivable not levied to finance 2018 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

A summary of governmental activities intergovernmental receivables as of December 31, 2018 follows:

Governmental Activities	Amounts
Gasoline and Excise Tax	$165,222
Local Government	147,649
Permissive Tax	56,028
Homestead and Rollback	32,323
Motor Vehicle License Tax	31,290
IDEP/STEP Grants	24,284
Ravenna City School District	14,008
Ohio Department of Transportation	9,226
Deerfield Township	4,134
SAFER Grants	2,830
Portage County	1,675
Emergency Medical Services Grant	804
Total	$489,473

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, 2018 is $2,462,744. 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. 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 2018, the distribution of tax, by percentage of tax proceeds was as follows: general fund 57.56 percent, capital improvements and projects fund 7.36 percent, EMS special revenue fund 3.20 percent, street construction and repair special revenue fund 5.88 percent, roadway improvements fund 10.00 percent, recreation special revenue fund 4.00 percent, parks capital improvement fund 2.00 percent and water operations and capital enterprise fund 10.00 percent.

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 2018, the City contracted with two companies for various types of insurance as follows:

Company	Type of Coverage	Coverage (annual aggregate)
Love Insurance Agency	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	53,965,083
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 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 $97,577 reported in the internal service fund at December 31, 2018, 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 2017 and 2018 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2017	$146,403	$1,383,111	$1,363,069	$166,445
2018	166,445	1,210,819	1,279,687	97,577

The City participates in the State Workers' Compensation retrospective rating and payment system. Once the City receives notice of the 2018 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage in addition to the actual claim costs for employees injured in 2018. The intergovernmental payable consists of the actual claim costs of $77,730. The maintenance of these benefits is accounted for in the Workers' Compensation internal service fund.

Incurred but not reported claims and premium of $154,523 have been accrued as a liability at December 31, 2018, based on an estimate by the City Auditor's Office and the Bureau of Workers' Compensation. The intergovernmental and claims liability reported in the workers' compensation internal service fund at December 31, 2018, 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 intergovernmental and claims liability amounts for 2018 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Change in Workers' Compensation Estimate	Balance at End of Year
2018	$297,264	$10,957	$100,562	($53,136)	$154,523

Note 9 – Interfund Transactions

Interfund Balances

	Receivable		Payable	
	Manuscript Notes	Advances To Other Funds	Manuscript Notes	Advances From Other Funds
Governmental Funds				
General	$0	$4,156	$0	$67,021
Streets Construction, Maintenance and Repair	0	0	0	71,028
EMS	0	0	0	804
Other Governmental Funds	0	0	345,182	5,596
Enterprise Funds				
Water	345,182	0	0	20,222
Sewer	0	0	0	14,792
Internal Service Fund				
Self Insurance	0	97,577	0	0
Workers' Compensation	0	77,730	0	0
Grand Total	$345,182	$179,463	$345,182	$179,463

On November 3, 2018, the City issued a one year note at 1.50 percent interest. The City has purchased this note. The City identified the special assessment debt service fund as the fund that received the proceeds and the water enterprise fund as the fund that purchased the note. For reporting purposes, these transactions are reflected as an interfund receivable and an interfund payables in the respective funds.

The remaining interfund balances at December 31, 2018 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 funds and the various governmental and enterprise funds due to the City moving money to pay claims when funds are needed rather than when claims are incurred.

Interfund Transfers

	Transfer From			
	Governmental Funds		Enterprise Fund	
Transfer To	Capital Improvements	Other Governmental Funds	Water	Total
Capital Improvements	$0	$152,413	$1,249	$153,662
Other Governmental Funds	12,761	35,438	0	48,199
Total	$12,761	$187,851	$1,249	$201,861

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

Note 10 – Compensated Absences

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

Note 11 - 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, 2018.

Litigation

The City of Ravenna is a party to legal proceedings. A lawsuit was brought against the City of Ravenna in 2018 that remained unsettled as of December 31, 2018. The City can report that at an April 2019 status conference in Federal Court in Akron, Ohio, a resolution of the case was reached. The settlement amount was forwarded to the plantiff by the City's insurance carrier.

Note 12 - Capital Leases

During 2018, the City had governmental lease agreements for ambulances 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, vactor 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, 2018 can be found in the table below. The items related to the copy machines, mailing system and phone equipment leases have not been capitalized.

Asset:	Governmental Activities	Business-type Activities
Buildings	$600,000	$0
Vehicles	711,611	365,874
Historical Cost	1,311,611	365,874
Less: Accumulated Depreciation	(403,287)	(82,436)
Total Book Value as of December 31, 2017	$908,324	$283,438

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

Year Ending December 31,	Governmental Activities	Business-type Activities
2019	$219,502	$81,796
2020	139,961	76,466
2021	121,028	23,939
2022	67,471	0
2023	67,471	0
2024	9,000	0
Total Minimum Lease Payments	624,433	182,201
Less: Amount Representing Interest	(31,590)	(8,343)
Present Value of Minimum Lease	$592,843	$173,858

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 - Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18
Governmental Activities:				
Capital assets not being depreciated				
Land	$1,704,766	$0	($116,600)	$1,588,166
Construction in progress	88,232	196,036	(178,464)	105,804
Total capital assets not being depreciated	1,792,998	196,036	(295,064)	1,693,970
Capital assets being depreciated				
Buildings	5,061,978	0	0	5,061,978
Improvements other than Buildings	582,075	0	0	582,075
Furniture, Fixtures and Equipment	3,706,258	149,239	(6,445)	3,849,052
Vehicles	3,750,339	441,818	(331,512)	3,860,645
Infrastructure:				
Streets	43,794,220	123,140	0	43,917,360
Storm Drains	4,857,563	55,324	0	4,912,887
Sidewalks	8,683,603	0	0	8,683,603
Fire Hydrants	1,535,600	0	0	1,535,600
Traffic Lights	4,907,234	0	(22,500)	4,884,734
Total capital assets being depreciated	76,878,870	769,521	(360,457)	77,287,934
Accumulated depreciation				
Buildings	(3,277,724)	(87,623)	0	(3,365,347)
Improvements other than Buildings	(410,529)	(21,698)	0	(432,227)
Furniture, Fixtures and Equipment	(2,312,929)	(208,124)	6,445	(2,514,608)
Vehicles	(2,506,066)	(344,173)	331,512	(2,518,727)
Infrastructure:				
Streets	(23,278,884)	(731,513)	0	(24,010,397)
Storm Drains	(2,701,523)	(39,312)	0	(2,740,835)
Sidewalks	(4,779,550)	(217,090)	0	(4,996,640)
Fire Hydrants	(778,598)	(20,475)	0	(799,073)
Traffic Lights	(993,848)	(155,681)	22,500	(1,127,029)
Total accumulated depreciation	(41,039,651)	(1,825,689) *	360,457	(42,504,883)
Capital assets being depreciated, net	35,839,219	(1,056,168)	0	34,783,051
Governmental activities capital assets, net	$37,632,217	($860,132)	($295,064)	$36,477,021

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18
Business-type activities:				
Capital assets not being depreciated				
Land	$1,565,260	$0	$0	$1,565,260
Construction in progress	391,145	303,193	(431,617)	262,721
Total capital assets not being depreciated	1,956,405	303,193	(431,617)	1,827,981
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	11,282,642	192,859	0	11,475,501
Vehicles	617,571	25,448	0	643,019
Infrastructure:				
Water Lines	15,851,674	431,617	0	16,283,291
Sewer Lines	6,532,228	0	0	6,532,228
Total capital assets being depreciated	55,390,028	649,924	0	56,039,952
Accumulated depreciation				
Buildings	(3,252,475)	(128,067)	0	(3,380,542)
Improvements other than Buildings	(9,974,564)	(365,937)	0	(10,340,501)
Furniture, Fixtures and Equipment	(3,768,492)	(416,143)	0	(4,184,635)
Vehicles	(150,401)	(66,534)	0	(216,935)
Infrastructure:				
Water Lines	(7,443,564)	(172,257)	0	(7,615,821)
Sewer Lines	(3,381,943)	(62,409)	0	(3,444,352)
Total accumulated depreciation	(27,971,439)	(1,211,347)	0	(29,182,786)
Capital assets being depreciated, net	27,418,589	(561,423)	0	26,857,166
Business-type activities capital assets, net	$29,374,994	($258,230)	($431,617)	$28,685,147

* Depreciation expense was charged to governmental activities as follows:

General Government	$32,343
Security of Persons and Property:	
Police	131,735
Fire	159,403
Leisure Time Activities	63,329
Public Health and Welfare	20,475
Community Environment	285,350
Transportation	1,093,742
Basic Utility Services	39,312
Total	$1,825,689

Note 14 - 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 2018, 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 15 - 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 2018 was 56.0 percent. During 2018, $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.

Note 16 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions –between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the tradition and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 traditional plan 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. Members retiring under the combined plan receive a cost of living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, The City's contractually required contribution was $562,380 for the traditional plan, $259 for the combined plan and $20,129 for the member-directed plan. Of these amounts, $64,440 is reported as an intergovernmental payable for the traditional plan, $27 for the combined plan and $3,230 for the member-directed plan.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $630,856 for 2018. Of this amount, $78,052 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 (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) 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 of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.030396%	0.001941%	0.1289040%	
Prior Measurement Date	0.030790%	0.000000%	0.1293670%	
Change in Proportionate Share	-0.000394%	0.001941%	-0.0004630%	
Proportionate Share of the:				
Net Pension Liability	$4,768,544	$0	$7,911,421	$12,679,965
Net Pension Asset	0	2,642	0	2,642
Pension Expense	977,971	(727)	908,353	1,885,597

2018 pension expense for the member-directed defined contribution plan was $20,129.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$4,870	$0	$120,062	$124,932
Changes of assumptions	569,872	231	344,742	914,845
Changes in proportion and differences between City contributions and proportionate share of contributions	21,683	0	0	21,683
City contributions subsequent to the measurement date	562,380	259	630,856	1,193,495
Total Deferred Outflows of Resources	$1,158,805	$490	$1,095,660	$2,254,955
Deferred Inflows of Resources				
Differences between expected and actual experience	$93,973	$788	$14,311	$109,072
Net difference between projected and actual earnings on pension plan investments	1,023,743	417	273,674	1,297,834
Changes in proportion and differences between City contributions and proportionate share of contributions	50,485	941	132,796	184,222
Total Deferred Inflows of Resources	$1,168,201	$2,146	$420,781	$1,591,128

$1,193,495 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 or increase to the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2019	$416,955	($246)	$165,857	$582,566
2020	(117,258)	(257)	93,906	(23,609)
2021	(450,802)	(351)	(189,555)	(640,708)
2022	(420,671)	(341)	(128,514)	(549,526)
2023	0	(195)	82,148	81,953
Thereafter	0	(525)	20,181	19,656
Total	($571,776)	($1,915)	$44,023	($529,668)

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, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 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 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) 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 (asset) 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%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$8,467,718	$4,768,544	$1,684,546
OPERS Combined Plan	(1,436)	(2,642)	(3,474)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016 valuation, rates of death were 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 for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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 expected. 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, 2017, 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
Total	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.

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$10,967,303	$7,911,421	$5,419,068

Note 17 – Defined Benefit OPEB Plans

See Note 16 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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.

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 75. 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. When funding is approved by OPERS Board of Trustees, 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 2018, 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 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $8,051 for 2018. Of this amount, $923 is reported as an intergovernmental payable.

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

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 a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

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. 75.

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 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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, 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 contractually required contribution to OP&F was $15,072 for 2018. Of this amount, $1,863 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.029790%	0.1289040%	
Prior Measurement Date	0.030230%	0.1293670%	
Change in Proportionate Share	-0.000440%	-0.0004630%	
Proportionate Share of the Net OPEB Liability	$3,234,974	$7,303,520	$10,538,494
OPEB Expense	$262,676	$577,193	$839,869

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$2,520	$0	$2,520
Changes of assumptions	235,540	712,668	948,208
City contributions subsequent to the measurement date	8,051	15,072	23,123
Total Deferred Outflows of Resources	$246,111	$727,740	$973,851
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$36,836	$36,836
Net difference between projected and actual earnings on OPEB plan investments	240,984	48,075	289,059
Changes in proportion and differences between City contributions and proportionate share of contributions	30,067	27,998	58,065
Total Deferred Inflows of Resources	$271,051	$112,909	$383,960

$23,123 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$39,196	$82,694	$121,890
2020	39,196	82,694	121,890
2021	(51,137)	82,694	31,557
2022	(60,246)	82,694	22,448
2023	0	94,713	94,713
Thereafter	0	174,270	174,270
Total	($32,991)	$599,759	$566,768

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$4,297,803	$3,234,974	$2,375,157

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$3,095,181	$3,234,974	$3,379,378

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is unknown.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$9,129,488	$7,303,520	$5,898,505

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$5,673,506	$7,303,520	$9,500,228

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

Note 18 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
OPWC Loans:			
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%	130,000	2032
Cleveland Road - 2013	0.00%	13,470	2033
North Diamond Water and Storm - 2013	0.00%	325,000	2034
Sycamore and Mill Water - 2014	0.00%	127,224	2035
South Diamond Waterline - 2015	0.00%	50,000	2036
Oakgrove, Riddle, and Peck Waterlines	0.00%	65,801	2037
OWDA Loans:			
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%	1,219,092	2023
General Obligation Bonds:			
Energy Conservation Improvement Bonds - 2012	2.00% to 3.00%	1,782,000	2032
Governmental Activities			
General Obligation Bonds:			
Municipal Building Improvement - 2003	4.00% to 5.00%	635,000	2023
Energy Conservation Improvement Bonds - 2012	2.00% to 3.00%	4,158,000	2032
Library Bonds:			
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

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	Outstanding 12/31/17	Additions	(Reductions)	Outstanding 12/31/18	Due in One Year
Business Type Activities					
OPWC Loans					
Hayes Road Waterline	$5,189	$0	($3,459)	$1,730	$1,730
Highland Avenue Reconstruction	5,374	0	(1,791)	3,583	1,792
Lake Avenue Water and Storm Loan	8,403	0	(1,528)	6,875	1,528
Chestnut and Washington Water and Storm Sewers	25,000	0	(2,500)	22,500	2,500
West Main Street Waterline Replacement	26,250	0	(2,500)	23,750	2,500
Ravenna Area Water Improvements	10,236	0	(891)	9,345	890
New Milford Road Waterline	13,558	0	(1,130)	12,428	1,130
Clinton and Lafayette Waterline	61,427	0	(4,237)	57,190	4,236
Cleveland Road	10,439	0	(673)	9,766	674
North Diamond Water and Storm	244,317	0	(14,807)	229,510	14,807
Sycamore and Mill Water	111,321	0	(6,361)	104,960	6,361
South Diamond Waterline	45,000	0	(2,500)	42,500	2,500
Oakgrove, Riddle and Peck Waterlines	64,156	0	(3,290)	60,866	3,290
Total OPWC Loans	630,670	0	(45,667)	585,003	43,938
OWDA Loans					
Lovers Lane Windmill Sewer	95,730	0	(17,679)	78,051	18,383
Kent/Ravenna Emergency Waterline	184,177	0	(27,989)	156,188	29,020
WWTP Expansion	6,379,450	0	(899,378)	5,480,072	903,339
Water Meters	545,190	0	(83,382)	461,808	86,241
Total OWDA Loans	7,204,547	0	(1,028,428)	6,176,119	1,036,983
General Obligation Bonds					
Energy Conservation Improvement Bonds	1,411,500	0	(79,500)	1,332,000	81,000
Premium on Energy Conservation Improvement Bonds	21,025	0	(1,401)	19,624	0
Total General Obligation Bonds	1,432,525	0	(80,901)	1,351,624	81,000
Other Long-term Liabilities:					
Net Pension Liabilities - OPERS:					
Water	1,957,732	0	(622,540)	1,335,192	0
Sewer	1,538,213	0	(489,133)	1,049,080	0
Total Net Pension Liability - OPERS	3,495,945	0	(1,111,673)	2,384,272	0
Net OPEB Liabilities - OPERS:					
Water	854,933	50,860	0	905,793	0
Sewer	671,733	39,961	0	711,694	0
Total Net OPEB Liability - OPERS	1,526,666	90,821	0	1,617,487	0
Capital Leases	249,218	0	(75,360)	173,858	76,967
Compensated Absences	237,743	109,765	(80,764)	266,744	87,065
Total Other Long-term Liabilities	5,509,572	200,586	(1,267,797)	4,442,361	164,032
Total Business Type Activities	$14,777,314	$200,586	($2,422,793)	$12,555,107	$1,325,953

	Outstanding 12/31/17	Additions	(Reductions)	Outstanding 12/31/18	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
Municipal Building Improvement	$245,000	$0	($35,000)	$210,000	$40,000
Energy Conservation Improvement Bonds	3,293,500	0	(185,500)	3,108,000	189,000
Premium on Energy Conservation Improvement Bonds	49,061	0	(3,272)	45,789	0
Total General Obligation Bonds	3,587,561	0	(223,772)	3,363,789	229,000
Library Bonds					
Reed Memorial Library Refunding Serial Bonds	2,785,000	0	(170,000)	2,615,000	175,000
Reed Memorial Library Refunding Term Bonds	610,000	0	0	610,000	0
Discount on Reed Memorial Library Refunding Bonds	(22,475)	0	1,450	(21,025)	0
Premium on Reed Memorial Library Refunding Bonds	85,083	0	(5,489)	79,594	0
Total Library Bonds	3,457,608	0	(174,039)	3,283,569	175,000
Other Long-term Liabilities:					
Net Pension Liability					
OPERS	3,495,941	0	(1,111,669)	2,384,272	0
OP&F	8,193,976	0	(282,555)	7,911,421	0
Total Net Pension Liability	11,689,917	0	(1,394,224)	10,295,693	0
Net OPEB Liability					
OPERS	1,526,667	90,820	0	1,617,487	0
OP&F	6,140,761	1,162,759	0	7,303,520	0
Total Net OPEB Liability	7,667,428	1,253,579	0	8,921,007	0
Capital Leases	527,240	251,503	(185,900)	592,843	209,015
Compensated Absences	902,398	382,268	(361,250)	923,416	505,658
Total Other Long-term Liabilities	20,786,983	1,887,350	(1,941,374)	20,732,959	714,673
Total Governmental Activities	$27,832,152	$1,887,350	($2,339,185)	$27,380,317	$1,118,673

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

According to the Ohio Revised Code, the City is allowed to issue tax related debt for Reed Memorial Library (the "Library"). In 2003, the City issued bonds for the Library in the amount of $5,350,000 and are paid with property tax revenue derived solely from the Library. The City serves as the taxing authority and is able to issue tax related debt on behalf of the Library, although the City's role is limited to a ministerial function only. As this is not City debt, it is not included in the City's net investment in capital assets. 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.

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 serial bonds were issued for a twenty year period with a final maturity at December 1, 2033. The term bond matures on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue $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
Stated Maturity	*12/1/2026*

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 and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: 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 and net OPEB liabilities see Notes 16 and 17.

The City's overall legal debt margin was $15,131,448 at December 31, 2018. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018 are as follows:

Business-Type Activities

	OPWC Loans	OWDA Loans		Energy Conservation General Obligation Bonds	
	Principal	Principal	Interest	Principal	Interest
2019	$43,938	$1,036,983	$43,008	$81,000	$34,909
2020	42,207	1,045,720	34,984	82,500	33,289
2021	40,416	1,054,647	26,798	84,000	31,639
2022	40,417	1,063,765	18,446	87,000	29,749
2023	39,650	1,051,590	10,081	88,500	27,574
2024-2028	190,690	923,414	3,048	477,000	102,870
2029-2033	154,222	0	0	432,000	32,591
2034-2037	33,463	0	0	0	0
Total	$585,003	$6,176,119	$136,365	$1,332,000	$292,621

Governmental Activities

	General Obligation Bonds		Library Bonds	
	Principal	Interest	Principal	Interest
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	251,500	66,588	190,000	88,968
2024-2028	1,113,000	240,032	1,045,000	389,690
2029-2033	1,008,000	76,047	1,260,000	155,201
Total	$3,318,000	$715,029	$3,225,000	$1,030,973

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:

Governmental Funds		**Proprietary Funds**	
General	$90,611	Water	$246,352
Capital Improvements	88,118	Sewer	447,406
Other Governmental Funds	246,664	Total Proprietary	$693,758
Total Governmental Funds	$425,393		
		Agency Funds:	$18,000

Note 21 – Tax Abatements

As of December 31, 2018, 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 and Monitoring

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

School Revenue Sharing

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

Abatements Granted in 2017 for Collection Year 2018

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 for collection year 2018:

Tax Abatement Program	Total Amount of Property Taxes Forgone (Abated) For Collection Year 2018
Manufacturing	$34,459

Note 22 – Change in Accounting Principle and Restatement of Net Position and Fund Balance

Change in Accounting Principle

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus* 2017, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

Restatement of Net Position and Fund Balance

During 2018, it was determined that the City had understated intergovernmental payable and workers' compensation claims payable as of December 31, 2017. The inclusion of these payables in an internal service fund also resulted in an interfund receivable/payable between the internal service fund and the specific funds used for the charge backs of the activity.

The restatement of interfund payable had the following effect on fund balance at December 31, 2017:

	General	Revolving Loan	Street, Construction Maintenance and Repair	EMS
Fund Balance December 31, 2017	$1,890,953	$7,474,318	$1,057,313	$81,814
Interfund Payable	(18,918)	0	(77,122)	0
Restated Fund Balance December 31, 2017	$1,872,035	$7,474,318	$980,191	$81,814

	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Fund Balance December 31, 2017	$1,036,340	$1,405,155	$12,945,893
Interfund Payable	0	0	(96,040)
Restated Fund Balance December 31, 2017	$1,036,340	$1,405,155	$12,849,853

The implementation of GASB 75 along with the restatement of interfund receivable/payables, intergovernmental payables and workers' compensation claims payable had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	$35,238,721	$27,637,734
Adjustments:		
Net OPEB Liability	(7,667,428)	(1,526,666)
Deferred Outflow - Payments Subsequent to Measurement Date	38,216	24,021
Internal Balance	4,522	(4,522)
Intergovernmental Payable	(100,562)	0
Workers' Compensation Claims Payable	(196,702)	0
Restated Net Position December 31, 2017	$27,316,767	$26,130,567

	Water	Sewer	Total Enterprise	Internal Service
Net Position December 31, 2017	$17,824,364	$9,813,370	$27,637,734	$0
Adjustments:				
Net OPEB Liability	(854,933)	(671,733)	(1,526,666)	0
Deferred Outflow - Payments Subsequent to Measurement Date	13,452	10,569	24,021	0
Interfund Receivable	(3,943)	(579)	(4,522)	100,562
Intergovernmental Payable	0	0	0	(100,562)
Workers' Compensation Claims Payable	0	0	0	(196,702)
Restated Net Position December 31, 2017	$16,978,940	$9,151,627	$26,130,567	($196,702)

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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Required Supplementary Information

City of Ravenna, Ohio

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.030396%	0.030790%	0.030353%	0.031470%	0.031470%
City's Proportionate Share of the Net Pension Liability	$4,768,544	$6,991,886	$5,257,523	$3,795,635	$3,709,903
City's Covered Payroll	$4,016,792	$3,980,183	$3,777,750	$3,858,183	$4,069,508
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.72%	175.67%	139.17%	98.38%	91.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	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 notes to the required supplementary information

City of Ravenna, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
2018 (1)

	2018
City's Proportion of the Net Pension Asset	0.001941%
City's Proportionate Share of the Net Pension Asset	$2,642
City's Covered Payroll	$7,954
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.029790%	0.030230%
City's Proportionate Share of the Net OPEB Liability	$3,234,974	$3,053,333
City's Covered Payroll	$4,219,671	$4,177,783
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.66%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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 notes 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 Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1289040%	0.1293670%	0.1316150%	0.1327447%	0.1327447%
City's Proportionate Share of the Net Pension Liability	$7,911,421	$8,193,976	$8,466,885	$6,876,729	$6,465,083
City's Covered Payroll	$2,838,646	$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	278.70%	302.68%	314.82%	259.03%	247.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	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.

See accompanying notes to the required supplementary information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.1289040%	0.1293670%
City's Proportionate Share of the Net OPEB Liability	$7,303,520	$6,140,761
City's Covered Payroll	$2,838,646	$2,707,131
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	257.29%	226.84%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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 notes to the required supplementary information

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

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	$562,380	$522,183	$477,622
Contributions in Relation to the Contractually Required Contribution	(562,380)	(522,183)	(477,622)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$4,017,000	$4,016,792	$3,980,183
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net Pension Asset - Combined Plan (2)			
Contractually Required Contribution	$259	$1,034	$0
Contributions in Relation to the Contractually Required Contribution	(259)	(1,034)	0
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$1,850	$7,954	$0
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	0.00%
Net OPEB Liability - OPEB Plan (3)			
Contractually Required Contribution	$8,051	$48,044	$87,508
Contributions in Relation to the Contractually Required Contribution	(8,051)	(48,044)	(87,508)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll (4)	$4,220,125	$4,219,671	$4,177,783
OPEB Contributions as a Percentage of Covered Payroll	0.19%	1.14%	2.09%

(1) Information prior to 2013 is not available for traditional and combined plans.
(2) The City had no contributions to the Combined plan in 2016 and 2015.
(3) Information prior to 2016 is not available for the OPEB plan.
(4) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2015	2014	2013
$453,330	$462,982	$529,036
(453,330)	(462,982)	(529,036)
$0	$0	$0
$3,777,750	$3,858,183	$4,069,508
12.00%	12.00%	13.00%
$0	$1,853	$2,212
0	(1,853)	(2,212)
$0	$0	$0
$0	$15,442	$17,015
0.00%	12.00%	13.00%

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$630,856	$594,126	$567,124	$563,226
Contributions in Relation to the Contractually Required Contribution	(630,856)	(594,126)	(567,124)	(563,226)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$3,014,461	$2,838,646	$2,707,131	$2,689,412
Pension Contributions as a Percentage of Covered Payroll	20.93%	20.93%	20.95%	20.94%
Net OPEB Liability				
Contractually Required Contribution	$15,072	$14,193	$13,535	$13,447
Contributions in Relation to the Contractually Required Contribution	(15,072)	(14,193)	(13,535)	(13,447)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	21.43%	21.43%	21.45%	21.44%

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$555,528	$464,473	$377,712	$376,599	$384,297	$406,534
(555,528)	(464,473)	(377,712)	(376,599)	(384,297)	(406,534)
$0	$0	$0	$0	$0	$0
$2,654,800	$2,608,513	$2,568,072	$2,550,162	$2,602,288	$2,759,528
20.93%	17.81%	14.71%	14.77%	14.77%	14.73%
$13,274	$94,341	$173,345	$172,136	$175,655	$186,268
(13,274)	(94,341)	(173,345)	(172,136)	(175,655)	(186,268)
$0	$0	$0	$0	$0	$0
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%
21.43%	21.43%	21.46%	21.52%	21.52%	21.48%

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 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:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 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 beginning in 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.

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

City of Ravenna, Ohio

For the Year Ended December 31, 2018

City of Ravenna, Ohio

For the Year Ended December 31, 2018

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

Members of the City Council
City of Ravenna, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ravenna, Ohio (the "City"), as of and for the year ended December 31, 2018, 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 25, 2019, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* and as a result restated their December 31, 2017 net position of the governmental activities and business-type activities, as disclosed in Note 22.

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. 2018-001).

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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*.

City's Response to Finding

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

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 25, 2019

City of Ravenna, Ohio

Schedule of Findings (continued)

For the Year Ended December 31, 2018

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

2018-001 – Material Weakness in Internal Control over Financial Reporting:

Condition:
Sound financial reporting is the responsibility of the City's Finance Department, Mayor and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Weaknesses in internal controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustments were made to the financial statements:
- Adjusted income tax receivable to agree to the confirmation provided by the City's third-party service organization.
- Adjusted EMS accounts receivable and related deferred inflow to reflect an allowance for doubtful accounts for the uncollectible portion as estimated by the City.

Additionally, the City posted an adjustment that restated intergovernmental payable, workers' compensation claims payable, interfund payable and interfund receivable for prior year amounts not properly recorded.

Criteria:
The internal control structure and processes should provide for the accurate assessment of the above accounts and the internal control structure and processes should provide for accurate cutoff procedures at year-end and assessment of significant accounting estimates.

Cause:
Controls related to the review and reconciliation of the City's accounts listed above were insufficient to ensure the financial statement balances were accurately assessed and to ensure compliance with the City's cutoff procedures.

For the Year Ended December 31, 2018

2018-001 – Material Weakness in Internal Control over Financial Reporting (continued):

Effect:
Insufficient controls to ensure accurate cutoff and assessment of significant estimates may result in inaccurate financial reporting of the City's financial statements.

Recommendation:
We recommend that the City 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 and significant estimate evaluation procedures to help ensure that the accounts are accurately reflected, thereby increasing the reliability of the financial data at year-end.

Management's Response:
The City will complete an assessment of the above adjustments and ensure the proper controls are in place to mitigate their reoccurrence. Also, the City will ensure that these items are communicated with third parties assisting with the GAAP conversion.

City of Ravenna, Ohio

Schedule of Prior Audit Findings

For the Year Ended December 31, 2018

Finding No.	Finding Summary	Fully Corrected	Explanation
2017-001	***Material Weakness in internal control over financial reporting*** 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. 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.	No	The City had audit adjustments in the current year.

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City of Ravenna

CORRECTIVE ACTION PLAN

For the Year ended December 31, 2018

Finding No.	Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The City will complete an assessment of the audit adjustments and ensure the proper controls are in place to mitigate their reoccurrence. Also, the City will ensure that these items are communicated with third parties assisting with the GAAP conversion.	December 31, 2019	Kimble Cecora, Finance Director

OHIO AUDITOR OF STATE
KEITH FABER

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
AUGUST 27, 2019