

Village of Ravenna
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

December 31, 2022



Village of Ravenna

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 4

Basic Financial Statements

 Government-Wide Financial Statements

 Statement of Net Position..... 12

 Statement of Activities 13

 Fund Financial Statements

 Governmental Funds

 Balance Sheet..... 14

 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position 15

 Statement of Revenues, Expenditures and Changes
 in Fund Balances..... 16

 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of
 Activities 17

 Proprietary Funds

 Statement of Net Position..... 18

 Statement of Revenues, Expenses and Changes in Net Position 19

 Statement of Cash Flows..... 20

 Component Units

 Statement of Net Position..... 21

 Statement of Activities 22

 Notes to Financial Statements 23

Required Supplementary Information

 Budgetary Comparison Schedule—General Fund..... 44

 Budgetary Comparison Schedule—Major Streets Fund..... 45

 Budgetary Comparison Schedule—Local Streets Fund 46

 Schedule of Changes in Net Pension Liability and Related Ratios 47

 Pension System Schedule of Contributions 48

INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Ravenna
Ravenna, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Ravenna, Michigan, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Village of Ravenna, Michigan's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Ravenna, Michigan, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Ravenna, Michigan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note J to the financial statements, in the year ended December 31, 2022, the Village adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

To the Honorable President and
Members of the Village Council
Village of Ravenna
Page 2

Report on the Audit of the Financial Statements—Continued

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Ravenna, Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village of Ravenna, Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Ravenna, Michigan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Honorable President and
Members of the Village Council
Village of Ravenna
Page 3

Report on the Audit of the Financial Statements—Continued

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated May 31, 2023, on our consideration of the Village of Ravenna, Michigan’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 solely 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 Village of Ravenna, Michigan’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 Village of Ravenna, Michigan’s internal control over financial reporting and compliance.



Muskegon, Michigan
May 31, 2023

As management of the Village of Ravenna, we present to the readers of the Village's financial statements this overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2022. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the Village had total assets/deferred outflows of resources of \$7,446,869 and total liabilities/deferred inflows of resources of \$2,992,478 leaving a net position of \$4,454,391.
- Of the \$4,454,391 in total net position, the Village may use \$1,371,827 (unrestricted net position) to meet the ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Village's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two 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 Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related 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.

Both of the government-wide financial statements mentioned above distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Village include general government, public safety, public works and culture and recreation activities. The business-type activities of the Village include water distribution and sewer services.

The government-wide financial statements include not only the Village of Ravenna (the primary government) but also the legally separate discretely presented component units. The boards of these organizations are appointed by the Village and given the interrelation of them with the Village; there is some potential liability for the Village due to the Village's potential pledge of its full faith and credit for future debt obligations. The financial information of these component units are reported in a separate column from the financial information of the primary government itself.

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 Village, 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 Village can be divided into two categories—governmental funds and proprietary 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 fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

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 short-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 the two.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, and Local Streets Fund which are considered to be major funds.

Proprietary Funds. The Village has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provide separate information for Water and Sewer funds, both of which are major funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary information as it relates to the actual expenditures for the General Fund, Major Streets Fund, and Local Streets Fund.

Government-Wide Financial Analysis

The first table presented on the next page is a summary of the government-wide statement of net position for the Village. As stated earlier, the net position may be used as an indicator of a government's financial health. As of December 31, 2022, the Village's net position from governmental activities totaled \$2,941,039 (66%) and \$1,513,352 (34%) from business-type activities, creating a total government-wide net position of \$4,454,391.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., infrastructure, buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Village's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental-type activities is \$549,121. This represents the amount of discretionary resources that can be used for general governmental operations.

As of December 31, 2022, the business-type activities show a total of \$1,513,352 in net position, of which \$822,706 is unrestricted. The Sewer Fund and Water Fund unrestricted net position is \$584,304 and \$238,402, respectively.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
				(as restated)		(as restated)
Current and other assets	\$ 1,217,283	\$ 1,054,765	\$ 1,237,582	\$ 1,089,126	\$ 2,454,865	\$ 2,143,891
Capital assets	1,908,333	1,843,375	3,003,989	3,150,973	4,912,322	4,994,348
Total assets	3,125,616	2,898,140	4,241,571	4,240,099	7,367,187	7,138,239
Deferred outflows of resources	35,060	36,352	44,622	46,266	79,682	82,618
Total assets and deferred outflows of resources	3,160,676	2,934,492	4,286,193	4,286,365	7,446,869	7,220,857
Current liabilities	163,493	101,834	120,500	121,033	283,993	222,867
Noncurrent liabilities	32,990	38,616	2,323,585	2,433,746	2,356,575	2,472,362
Total liabilities	196,483	140,450	2,444,085	2,554,779	2,640,568	2,695,229
Deferred inflows of resources	23,154	12,270	328,756	326,392	351,910	338,662
Total liabilities and deferred inflows of resources	219,637	152,720	2,772,841	2,881,171	2,992,478	3,033,891
Net position						
Net investment in capital assets	1,908,333	1,843,375	619,391	664,375	2,527,724	2,507,750
Restricted	483,585	452,457	71,255	49,470	554,840	501,927
Unrestricted	549,121	485,940	822,706	691,349	1,371,827	1,177,289
Total net position	\$ 2,941,039	\$ 2,781,772	\$ 1,513,352	\$ 1,405,194	\$ 4,454,391	\$ 4,186,966

Current and other assets in governmental activities and current liabilities increased due to unspent American Rescue Plan Act funding. Capital assets increased due to various street improvement projects.

Current and other assets in business-type activities increased due to no capital additions. Capital assets decreased because depreciation exceeded current year capital asset additions.

The results of this year's operations for the Village as a whole are reported in the statement of activities, which shows changes in net position.

Change in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues						
Charges for services	\$ 112,346	\$ 132,773	\$ 575,978	\$ 520,958	\$ 688,324	\$ 653,731
Operating grants	251,217	252,410	-	-	251,217	252,410
Capital grants and contributions	3,441	40,000	-	-	3,441	40,000
General revenues						
Property taxes	284,583	274,431	-	-	284,583	274,431
Grants and contributions not restricted	175,774	130,300	-	-	175,774	130,300
Unrestricted investment earnings	288	2,734	5,637	1,549	5,925	4,283
Miscellaneous	31,964	20,027	-	-	31,964	20,027
Gain on sale of capital assets	2,500	-	-	11,435	2,500	11,435
Total revenues	862,113	852,675	581,615	533,942	1,443,728	1,386,617
Expenses:						
General government	89,443	70,357	-	-	89,443	70,357
Public safety	19,058	19,461	-	-	19,058	19,461
Public works	528,629	474,319	-	-	528,629	474,319
Culture and recreation	65,716	71,846	-	-	65,716	71,846
Sewer	-	-	249,598	202,196	249,598	202,196
Water	-	-	223,859	200,853	223,859	200,853
Total expenses	702,846	635,983	473,457	403,049	1,176,303	1,039,032
Change in net position	159,267	216,692	108,158	130,893	267,425	347,585
Net position - Beginning	2,781,772	2,565,080	1,405,194	1,274,301	4,186,966	3,839,381
Net position - Ending	\$ 2,941,039	\$ 2,781,772	\$ 1,513,352	\$ 1,405,194	\$ 4,454,391	\$ 4,186,966

Governmental Activities

Governmental activities net position increased by \$159,267 (5.7%) during the 2022 fiscal year. The preceding table depicts this occurrence.

Charges for services decreased due to a one-time reimbursement of administration costs from the Brownfield in the previous year. Property tax revenues increased due to higher taxable values. Grants and contributions not restricted increased due to additional State revenue sharing. General government expenses increased as there were additional legal services related to zoning issues and related matters. Public works expenses increased due to higher sanitation costs, fuel costs, and additional activity.

Business-Type Activities

Charges for services increased due to an increase in sewer and water rates and some new customers. Sewer expenses increased due to force main repair and first full year of depreciation on completed Rural Development funded assets. Water expenses increased due to damage from a power surge.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2022 fiscal year, the Village's governmental funds reported a combined unassigned fund balance of \$570,205, all of which is in the General Fund.

The General Fund is the chief operating fund of the Village. The General Fund ended the year with a fund balance of \$588,477, an increase of \$70,279 from the prior fiscal year. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures and transfers. Unassigned fund balance represents 96% of the General Fund's expenditures and transfers (102% in the prior year).

Proprietary Funds. The Village proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Sewer Fund increased by \$19,796 and in the Water Fund increased by \$88,362. The result was an overall increase in the proprietary funds of \$108,158. Ending net position of the Sewer Fund and Water Fund were \$996,105 and \$517,247, respectively.

General Fund Budget

During the current fiscal year, the Village made no amendments to its original budget.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Licenses and permits were over budget by \$12,261 due to building activity on Haymeadow and Mortimer Streets.
- Intergovernmental revenues - State were over budget by \$50,095 due to higher than expected State revenue sharing and personal property tax replacement funding.
- Other revenues were over budget by \$11,568, as the Village did not budget for some maintenance contributions and higher than anticipated reimbursements from the Township for fuel and salt purchases.
- Buildings and grounds expenditures were over budget by \$14,343, as some unanticipated costs such as computer work and some minor repairs were not budgeted.
- Department of public works expenditures were over budget by \$26,605, as additional time was spent in the General Fund than initially anticipated and because of higher fuel prices.
- Parks expenditures were under budget by \$14,855, as the allocation of the Village public works activity was lower than initially anticipated.

Capital Assets

The Village’s investment in capital assets for its governmental and business-type activities as of December 31, 2022 totaled \$4,912,322 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment and vehicles.

Among capital additions this year were a road improvement of Harrisburg Road for \$57,456, chip and seal work for the Blackmer, Thomas, and Main Streets for \$88,000, a land purchased from the Township for \$8,139, and a dump truck purchased for \$48,542.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 40,139	\$ 32,000	\$ 46,518	\$ 46,518	\$ 86,657	\$ 78,518
Land improvements	47,142	54,613	-	-	47,142	54,613
Buildings and improvements	91,586	96,783	-	-	91,586	96,783
Equipment	30,354	39,069	17,418	19,518	47,772	58,587
Infrastructure	1,636,886	1,589,268	-	-	1,636,886	1,589,268
Vehicles	62,226	31,642	-	-	62,226	31,642
Sewer system	-	-	2,148,595	2,240,968	2,148,595	2,240,968
Water system	-	-	791,458	843,969	791,458	843,969
Total	\$ 1,908,333	\$ 1,843,375	\$ 3,003,989	\$ 3,150,973	\$ 4,912,322	\$ 4,994,348

Additional information on the Village’s capital assets can be found in Note E of the “Notes to Financial Statements” of this report.

Long-Term Debt

At the end of the 2022 fiscal year, the Village had total outstanding debt of \$2,384,598. This is a reduction of \$102,000 due to scheduled debt payments.

Additional information on the Village's long-term debt can be found in Note G of the "Notes to Financial Statements" of this report.

General Economic Overview

The General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised approximately 65 percent of the General Fund revenue sources in 2022. In 2023, the property tax millage is being increased from 8.2764 mills to 9 mills. Property tax revenues are budgeted to increase by approximately 9 percent due to the millage increase and growth in taxable value. State shared revenues are expected to remain comparable to 2022.

The Village plans no significant changes to operational expenditures in 2023.

The Village has budgeted a transfer of \$65,000 in the General Fund to assist with street improvements.

The Village continues to improve its road system and has budgeted various resurfacing and chip sealing projects for approximately \$301,000 for improvements to Heights Ravenna Road and Harrisburg Road in the Major Streets and Local Streets funds.

Modest rate adjustments are planned to cover increasing costs in the Sewer and Water funds. No unusual repairs or major projects are anticipated in 2023. The Village is planning on significant costs for water tower painting and maintenance in 2024. The Village has received approximately \$134,000 from the American Rescue Plan Act and is planning on using these funds to pay for this project.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Ravenna, 12090 Crockery Creek Drive, Ravenna, Michigan, 49451, or telephone (231) 853-2360.

Village of Ravenna
STATEMENT OF NET POSITION
December 31, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets				
Cash and investments	\$ 1,137,449	\$ 809,508	\$ 1,946,957	\$ 86,985
Receivables				
Accounts and property taxes	11,488	50,134	61,622	18,517
Leases	-	11,737	11,737	-
Due from other governmental units	67,121	-	67,121	-
Due from component units	1,225	-	1,225	-
Total current assets	1,217,283	871,379	2,088,662	105,502
Noncurrent assets				
Restricted cash and investments	-	78,655	78,655	-
Leases receivable, less amounts due within one year	-	287,548	287,548	-
Capital assets, net				
Nondepreciable	40,139	46,518	86,657	-
Depreciable	1,868,194	2,957,471	4,825,665	-
Total noncurrent assets	1,908,333	3,370,192	5,278,525	-
Total assets	3,125,616	4,241,571	7,367,187	105,502
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	35,060	44,622	79,682	-
Total assets and deferred outflows of resources	3,160,676	4,286,193	7,446,869	105,502
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	29,610	17,500	47,110	-
Due to primary government	-	-	-	1,225
Unearned revenues - expenditure-driven grants	133,883	-	133,883	-
Bonds and other obligations, due within one year	-	103,000	103,000	-
Total current liabilities	163,493	120,500	283,993	1,225
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	-	2,281,598	2,281,598	-
Net pension liability	32,990	41,987	74,977	-
Total noncurrent liabilities	32,990	2,323,585	2,356,575	-
Total liabilities	196,483	2,444,085	2,640,568	1,225
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent fiscal year	-	-	-	18,517
Related to leases	-	299,285	299,285	-
Related to pension	23,154	29,471	52,625	-
Total deferred inflows of resources	23,154	328,756	351,910	18,517
Total liabilities and deferred inflows of resources	219,637	2,772,841	2,992,478	19,742
NET POSITION				
Net investment in capital assets	1,908,333	619,391	2,527,724	-
Restricted				
Enforcement activities - permits	18,272	-	18,272	-
Streets	465,313	-	465,313	-
Capital projects	-	40,800	40,800	-
Debt service	-	30,455	30,455	-
Unrestricted	549,121	822,706	1,371,827	85,760
Total net position	\$ 2,941,039	\$ 1,513,352	\$ 4,454,391	\$ 85,760

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF ACTIVITIES
For the year ended December 31, 2022

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 89,443	\$ 13,048	\$ -	\$ -	\$ (76,395)	\$ -	\$ (76,395)	\$ -
Public safety	19,058	-	-	-	(19,058)	-	(19,058)	-
Public works	528,629	96,698	251,217	-	(180,714)	-	(180,714)	-
Culture and recreation	65,716	2,600	-	3,441	(59,675)	-	(59,675)	-
Total governmental activities	702,846	112,346	251,217	3,441	(335,842)	-	(335,842)	-
Business-type activities								
Sewer	249,598	268,842	-	-	-	19,244	19,244	-
Water	223,859	307,136	-	-	-	83,277	83,277	-
Total business-type activities	473,457	575,978	-	-	-	102,521	102,521	-
Total primary government	\$ 1,176,303	\$ 688,324	\$ 251,217	\$ 3,441	(335,842)	102,521	(233,321)	-
Component units								
Downtown Development Authority	\$ 2,336	\$ -	\$ -	\$ -	-	-	-	(2,336)
General revenues								
Property taxes					284,583	-	284,583	28,765
Grants and contributions not restricted to specific programs					175,774	-	175,774	-
Unrestricted investment earnings					288	5,637	5,925	24
Miscellaneous					31,964	-	31,964	-
Gain on sale of capital assets					2,500	-	2,500	-
Total general revenues					495,109	5,637	500,746	28,789
Change in net position					159,267	108,158	267,425	26,453
Net position at beginning of year					2,781,772	1,405,194	4,186,966	59,307
Net position at end of year					\$ 2,941,039	\$ 1,513,352	\$ 4,454,391	\$ 85,760

The accompanying notes are an integral part of this statement.

Village of Ravenna
BALANCE SHEET
 Governmental Funds
 December 31, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 707,192	\$ 386,685	\$ 43,572	\$ 1,137,449
Property taxes receivable	11,488	-	-	11,488
Due from other governmental units	24,867	33,592	8,662	67,121
Due from component units	1,225	-	-	1,225
Total assets	\$ 744,772	\$ 420,277	\$ 52,234	\$ 1,217,283
LIABILITIES				
Accounts payable	\$ 16,594	\$ 3,146	\$ 3,127	\$ 22,867
Accrued liabilities	5,818	736	189	6,743
Unearned revenues - expenditure-driven grants	133,883	-	-	133,883
Total liabilities	156,295	3,882	3,316	163,493
FUND BALANCES				
Restricted				
Enforcement activities - permits	18,272	-	-	18,272
Streets	-	416,395	48,918	465,313
Unassigned	570,205	-	-	570,205
Total fund balances	588,477	416,395	48,918	1,053,790
Total liabilities and fund balances	\$ 744,772	\$ 420,277	\$ 52,234	\$ 1,217,283

The accompanying notes are an integral part of this statement.

Village of Ravenna
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 December 31, 2022

Total fund balance—governmental funds	\$ 1,053,790
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 3,379,441	
Accumulated depreciation	<u>(1,471,108)</u>	1,908,333

Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Net pension liability and related deferred outflows/inflows of resources	<u>(21,084)</u>
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Net position of governmental activities	<u><u>\$ 2,941,039</u></u>
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The accompanying notes are an integral part of this statement.

Village of Ravenna
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
 For the year ended December 31, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 284,583	\$ -	\$ -	\$ 284,583
Licenses and permits	19,261	-	-	19,261
Intergovernmental revenues - State	175,774	194,527	48,634	418,935
Charges for services	171,128	-	-	171,128
Investment earnings	288	7,700	356	8,344
Other	25,268	3,924	-	29,192
Total revenues	676,302	206,151	48,990	931,443
EXPENDITURES				
Current				
General government	89,443	-	-	89,443
Public safety	19,058	-	-	19,058
Public works	330,987	62,384	30,720	424,091
Culture and recreation	98,354	-	-	98,354
Capital outlay	56,681	145,457	-	202,138
Total expenditures	594,523	207,841	30,720	833,084
Excess of revenues over (under) expenditures	81,779	(1,690)	18,270	98,359
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,500	-	-	2,500
Transfers in	-	14,000	-	14,000
Transfers out	(14,000)	-	-	(14,000)
Total other financing sources (uses)	(11,500)	14,000	-	2,500
Net change in fund balances	70,279	12,310	18,270	100,859
Fund balances at beginning of year	518,198	404,085	30,648	952,931
Fund balances at end of year	\$ 588,477	\$ 416,395	\$ 48,918	\$ 1,053,790

The accompanying notes are an integral part of this statement.

Village of Ravenna
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended December 31, 2022

Net change in fund balances—total governmental funds \$ 100,859

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures.
However, in the Statement of Activities, the cost of these assets is allocated
over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (137,180)	
Capital outlay	<u>202,138</u>	64,958

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 the governmental funds.

Change in net pension liability and related deferred outflows/inflows of resources	<u>(6,550)</u>
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Change in net position of governmental activities	<u><u>\$ 159,267</u></u>
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The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF NET POSITION
 Proprietary Funds
 December 31, 2022

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Current assets			
Cash and investments	\$ 569,486	\$ 240,022	\$ 809,508
Receivables			
Accounts	30,660	19,474	50,134
Leases	-	11,737	11,737
Total current assets	600,146	271,233	871,379
Noncurrent assets			
Restricted cash and investments	78,655	-	78,655
Leases receivable, less amounts due within one year	-	287,548	287,548
Capital assets			
Land	45,355	1,163	46,518
Machinery and equipment	40,010	30,646	70,656
Utility systems	3,291,117	1,806,247	5,097,364
Less accumulated depreciation	(1,170,936)	(1,039,613)	(2,210,549)
Net capital assets	2,205,546	798,443	3,003,989
Total noncurrent assets	2,284,201	1,085,991	3,370,192
Total assets	2,884,347	1,357,224	4,241,571
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	20,717	23,905	44,622
Total assets and deferred outflows of resources	2,905,064	1,381,129	4,286,193
LIABILITIES			
Current liabilities			
Accounts payable	2,399	2,404	4,803
Accrued liabilities	8,383	4,314	12,697
Bonds and other obligations, due within one year	33,000	70,000	103,000
Total current liabilities	43,782	76,718	120,500
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	1,832,000	449,598	2,281,598
Net pension liability	19,494	22,493	41,987
Total noncurrent liabilities	1,851,494	472,091	2,323,585
Total liabilities	1,895,276	548,809	2,444,085
DEFERRED INFLOWS OF RESOURCES			
Related to leases	-	299,285	299,285
Related to pension	13,683	15,788	29,471
Total deferred inflows of resources	13,683	315,073	328,756
Total liabilities and deferred inflows of resources	1,908,959	863,882	2,772,841
NET POSITION			
Net investment in capital assets	340,546	278,845	619,391
Restricted for:			
Capital projects	40,800	-	40,800
Debt service	30,455	-	30,455
Unrestricted	584,304	238,402	822,706
Total net position	\$ 996,105	\$ 517,247	\$ 1,513,352

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Proprietary Funds
 For the year ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 239,442	\$ 278,636	\$ 518,078
OPERATING EXPENSES			
Operations	110,536	157,618	268,154
Depreciation	93,808	53,176	146,984
Total operating expenses	<u>204,344</u>	<u>210,794</u>	<u>415,138</u>
Operating income (loss)	35,098	67,842	102,940
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	552	5,085	5,637
Connection fees	29,400	28,500	57,900
Interest expense	(45,254)	(13,065)	(58,319)
Total nonoperating revenues (expenses)	<u>(15,302)</u>	<u>20,520</u>	<u>5,218</u>
Change in net position	19,796	88,362	108,158
Net position at beginning of year	<u>976,309</u>	<u>428,885</u>	<u>1,405,194</u>
Net position at end of year	<u><u>\$ 996,105</u></u>	<u><u>\$ 517,247</u></u>	<u><u>\$ 1,513,352</u></u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 237,167	\$ 258,534	\$ 495,701
Receipts from interfund services provided	-	19,058	19,058
Payments to suppliers	(68,018)	(105,577)	(173,595)
Payments to employees	(27,914)	(42,586)	(70,500)
Payment for interfund services used	(10,036)	(6,619)	(16,655)
Net cash provided by (used for) operating activities	131,199	122,810	254,009
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	29,400	28,500	57,900
Principal paid on capital debt	(32,000)	(70,000)	(102,000)
Interest paid on capital debt	(45,154)	(13,765)	(58,919)
Net cash provided by (used for) capital and related financing activities	(47,754)	(55,265)	(103,019)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	552	5,085	5,637
Net increase (decrease) in cash and investments	83,997	72,630	156,627
Cash and investments at beginning of year	564,144	167,392	731,536
Cash and investments at end of year	\$ 648,141	\$ 240,022	\$ 888,163
Reconciliation of cash and investments to the Statement of Net Position			
Cash and investments	\$ 569,486	\$ 240,022	\$ 809,508
Restricted cash and investments	78,655	-	78,655
	\$ 648,141	\$ 240,022	\$ 888,163
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 35,098	\$ 67,842	\$ 102,940
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation expense	93,808	53,176	146,984
Change in assets and liabilities			
Accounts receivable	(2,275)	(1,044)	(3,319)
Accounts payable	708	(1,568)	(860)
Accrued liabilities	3,860	4,404	8,264
Net cash provided by (used for) operating activities	\$ 131,199	\$ 122,810	\$ 254,009

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF NET POSITION
Discretely Presented Component Units
December 31, 2022

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 85,760	\$ 1,225	\$ 86,985
Property taxes receivable	18,517	-	18,517
Total assets	104,277	1,225	105,502
LIABILITIES			
Current liabilities			
Due to primary government	-	1,225	1,225
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent fiscal year	18,517	-	18,517
Total liabilities and deferred inflows of resources	18,517	1,225	19,742
NET POSITION			
Unrestricted	\$ 85,760	\$ -	\$ 85,760

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF ACTIVITIES
Discretely Presented Component Units
For the year ended December 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Downtown Development Authority				
Economic development	\$ 2,336	\$ (2,336)	\$ -	\$ (2,336)
Brownfield Redevelopment Authority				
Economic development	-	-	-	-
Total discretely presented component units	<u><u>\$ 2,336</u></u>	(2,336)	-	(2,336)
General revenues				
Property taxes		28,765	-	28,765
Unrestricted investment earnings		24	-	24
Total general revenues		<u>28,789</u>	-	<u>28,789</u>
Change in net position		26,453	-	26,453
Net position at beginning of year		<u>59,307</u>	-	<u>59,307</u>
Net position at end of year		<u><u>\$ 85,760</u></u>	\$ -	<u><u>\$ 85,760</u></u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Village is a home rule village governed by an elected five-member Village Council and is administered by a village manager appointed by the Village Council. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

Discretely Presented Component Unit

Downtown Development Authority (DDA). The DDA's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the Village's downtown district. Board members of the DDA are appointed by the Village Council. The board can authorize and issue debt independent from the Village. The DDA is presented as a governmental fund type.

Brownfield Redevelopment Authority (BRA). The Authority's purpose is the collection of property tax incremental revenues and promotion of environmental remediation (including issuance of debt) in designated brownfield areas. Members of the BRA are appointed by the Village Council and the Authority is fiscally dependent on the Village since the Village Council approves the BRA budget and must approve any debt issuance. The BRA area is presented as a governmental fund type.

Basis of Presentation—Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the Village's discretely presented component units are reported in a separate column in the government-wide financial statements.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-Wide and Fund Financial Statements—Continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Village's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for money distributed by the State of Michigan for construction and maintenance of major streets within the Village.

The Local Streets Fund accounts for money distributed by the State of Michigan for construction and maintenance of local streets within the Village.

The Village reports the following major enterprise funds:

The Sewer Fund operates the Village's sewage pumping station and collection systems.

The Water Fund operates the Village's water distribution system.

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Village are reported at fair value (generally based on quoted market prices).

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Cash and Investments—Continued

The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component unit's cash and investments are maintained within the Village's investment pool.

Leases Receivable

The Village is a lessor for certain noncancelable leases. The Village recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements for each lease.

At the commencement of a lease, the Village initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Village determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Village uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Village monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets—Continued

As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Village are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-40
Utility systems	30-50
Equipment	5-20
Infrastructure	20
Vehicles	5-10

Defined Benefit Plan

The Village offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The Village records a net pension liability for the difference between the total pension liability calculated by the actuary and the Plan’s fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Flow Assumptions

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the Village that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Village bills and collects its own property taxes. Taxes are levied and liened on July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Village to the County for collection. The County advances the Village all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Village. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2022 state taxable value for real/personal property of the Village totaled approximately \$35,514,000 of which approximately \$1,366,000 was captured by the DDA. The ad valorem taxes levied consisted of 8.2764 mills for the Village's operating purposes. These amounts are recognized in the General Fund with additional captured amounts also shown in the DDA component unit.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level in the General Fund and the fund level for all other governmental funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Excess of Expenditures over Appropriations

During the year ended December 31, 2022, actual expenditures exceeded appropriations for the attorney and professional services by \$4,421, building and grounds by \$14,343, department of public works by \$26,605, department of sanitation by \$1,135, and capital outlay by \$6,681 in the General Fund.

These over-expenditures were funded with available fund balance.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE C—DEPOSITS AND INVESTMENTS

Deposit and Investment Risks

Interest Rate Risk

The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Village does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Village investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of December 31, 2022, \$1,682,862 of the Village's bank balance of \$2,130,091 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

The Village does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

The Village is not authorized to invest in investments which have this type of risk.

Restricted Cash

Restrictions are placed on assets by bond ordinance and Village Council actions. At December 31, 2022, cash is restricted as follows:

Sewer Fund	
Bond and interest redemption fund	\$ 13,000
Bond reserve fund	24,855
Repair, replacement and improvement fund	<u>40,800</u>
	<u><u>\$ 78,655</u></u>

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE D—LEASES RECEIVABLE

The Village leases the right to use space on a water tower owned by the Village to a third party for the operation of cell phone antennas. The lease term is 5 years and the Village receives monthly payments of \$1,350, increasing by 3 percent each year. The Village recognized \$11,490 in lease revenue and \$4,472 in interest revenue during the year ended December 31, 2022. The Village has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$299,285.

The future minimum payments to be received for this lease are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 11,737	\$ 4,704
2024	12,423	4,511
2025	13,135	4,307
2026	13,874	4,091
2027	14,640	3,864
2028-2032	85,734	15,454
2033-2037	109,620	7,684
2038-2039	38,123	488
	<u><u>\$ 299,286</u></u>	<u><u>\$ 45,103</u></u>

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 32,000	\$ 8,139	\$ -	\$ 40,139
Capital assets, being depreciated:				
Land improvements	132,226	-	-	132,226
Buildings and improvements	273,798	-	-	273,798
Equipment	215,507	-	-	215,507
Infrastructure	3,168,265	145,457	737,746	2,575,976
Vehicles	107,938	48,542	14,685	141,795
Total capital assets, being depreciated	3,897,734	193,999	752,431	3,339,302
Less accumulated depreciation:				
Land improvements	77,613	7,471	-	85,084
Buildings and improvements	177,015	5,197	-	182,212
Equipment	176,438	8,715	-	185,153
Infrastructure	1,578,997	97,839	737,746	939,090
Vehicles	76,296	17,958	14,685	79,569
Total accumulated depreciation	2,086,359	137,180	752,431	1,471,108
Total capital assets, being depreciated, net	1,811,375	56,819	-	1,868,194
Capital assets, net	\$ 1,843,375	\$ 64,958	\$ -	\$ 1,908,333

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE E—CAPITAL ASSETS—Continued

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 46,518	\$ -	\$ -	\$ 46,518
 Capital assets, being depreciated:				
Sewer system	3,291,117	-	-	3,291,117
Water system	1,806,247	-	-	1,806,247
Equipment	70,656	-	-	70,656
Total capital assets, being depreciated	5,168,020	-	-	5,168,020
 Less accumulated depreciation:				
Sewer system	1,050,149	92,373	-	1,142,522
Water system	962,278	52,511	-	1,014,789
Equipment	51,138	2,100	-	53,238
Total accumulated depreciation	2,063,565	146,984	-	2,210,549
Total capital assets, being depreciated, net	3,104,455	(146,984)	-	2,957,471
Capital assets, net	\$ 3,150,973	\$ (146,984)	\$ -	\$ 3,003,989

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 3,156
Public works	125,523
Culture and recreation	8,501
	\$ 137,180

Business-type activities:

Sewer	\$ 93,808
Water	53,176
	\$ 146,984

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE F—INTERFUND TRANSFERS

During the year ended December 31, 2022, the General Fund Transferred \$14,000 to the Major Streets Fund. The transfer was for street improvement projects.

NOTE G—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Village for the year ended December 31, 2022.

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Business-type activities:					
Direct borrowings and direct placements	\$ 2,486,598	\$ -	\$ 102,000	\$ 2,384,598	\$ 103,000

The business-type activities direct borrowings and direct placements are comprised of intergovernmental revenue bonds. They are not backed by the full faith and credit of the Village.

	Interest Rate	Date of Maturity	Balance
Business-type activities:			
Direct borrowings and direct placements			
Revenue bonds			
2008 Water Revenue Bonds	2.50%	April 2029	\$ 519,598
2019A Sanitary Sewer Bonds	2.38%	November 2059	1,739,000
2019B Sanitary Sewer Bonds	2.38%	November 2059	126,000
			\$ 2,384,598

For governmental activities, claims and judgments are generally liquidated by the General Fund.

The Village was in compliance in all material respects with all the revenue bond ordinances at December 31, 2022.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE G—LONG-TERM DEBT—Continued

Annual debt service requirements to maturity for direct borrowings and direct placements outstanding as of December 31, 2022 follow:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>	
	<u>Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 103,000	\$ 56,409
2024	103,000	53,875
2025	109,000	51,278
2026	110,000	48,596
2027	111,000	45,890
2028-2032	348,598	196,143
2033-2037	220,000	167,913
2038-2042	245,000	140,600
2043-2047	276,000	110,153
2048-2052	308,000	75,810
2053-2057	347,000	37,501
2058-2059	104,000	3,159
	<u>\$ 2,384,598</u>	<u>\$ 987,327</u>

NOTE H—OTHER INFORMATION

Risk Management

The Village 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. The Village manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE H—OTHER INFORMATION—Continued

Risk Management—Continued

The Village manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Village pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Village carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan

Plan Description

The Village's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The Plan covers all full-time employees hired prior to May 1, 2015. Full-time employees hired after May 1, 2015 participate in a defined contribution plan.

Benefits provided by the Plan have a multiplier of 1.50 percent. Vesting period is 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Employees Covered by Benefit Terms

At December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	1
Total employees covered by MERS	4

Contributions

The Village is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Village may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2022, the Village had an annual flat-dollar employer contribution to the Plan of \$15,096 in lieu of a percentage of covered payroll, as the Plan is closed to new employees. Member contributions for the Plan are 1 percent.

Net Pension Liability

The Village’s net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent	
Salary increases	3.0 percent in the long-term	
Investment rate of return	7.00 percent, net of administrative and investment expenses	including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on a version of Pub-210 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014 through 2018.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions—Continued

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.0%	4.50%	0.90%	2.50%	0.40%
Private assets	20.0%	9.50%	1.90%	2.50%	1.40%
Total	<u><u>100.0%</u></u>		<u><u>7.00%</u></u>		<u><u>4.50%</u></u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent for 2021. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expense. The projection of cash flows used to determine the discount rate assumed that employer and employee contributions will be made at rates agreed upon for employees and the actuarially determined rate for employers. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a)-(b)
Balance at January 1, 2021	\$ 745,850	\$ 658,086	\$ 87,764
Changes for the year			
Service cost	3,313	-	3,313
Interest	54,705	-	54,705
Difference between expected and actual experience	10,297	-	10,297
Changes in assumptions	27,461	-	27,461
Contributions - employer	-	18,000	(18,000)
Contributions - employee	-	675	(675)
Net investment income	-	90,931	(90,931)
Administrative expenses	-	(1,043)	1,043
Benefit payments including refund of employee contributions	(55,400)	(55,400)	-
Net changes	40,376	53,163	(12,787)
Balance at December 31, 2021	\$ 786,226	\$ 711,249	\$ 74,977

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Village, calculated using the discount rate of 7.25 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Village's net pension liability	\$ 163,161	\$ 74,977	\$ 596

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

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

For the year ended December 31, 2022, the Village recognized pension expense of \$33,719. At December 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 24,441	\$ 3,677
Differences in assumptions	36,409	-
Net difference between projected and actual net investment income	-	48,948
Contributions subsequent to the measurement date*	18,832	-
Total	\$ 79,682	\$ 52,625

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2023	\$ 31,750
2024	(1,108)
2025	(13,940)
2026	(8,477)

Payables to the Pension Plan

At December 31, 2022, the Village reported a payable of \$1,500 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022.

Defined Contribution Pension Plan

The Village also maintains a defined contribution plan offered by MERS for its full-time employees hired after the defined benefit plan was closed to new participants.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Contribution Pension Plan—Continued

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the Village Council as determined by negotiated labor contracts. The Village is required to contribute 5 percent of a qualified employees' annual compensation each year. Qualified employees are not required to contribute to the Plan. However, the Village will match up to 2 percent in the defined contribution plan for employee contributions into the deferred compensation plan. For the year ended December 31, 2022, Village and employee contributions were \$8,068 and \$8,997, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Village contributions and earnings on Village contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Nonvested Village contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2022, forfeitures were \$4,981.

At December 31, 2022, the Village reported a payable of \$1,265 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022.

Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Village employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable circumstances.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE J—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Village implemented the following new pronouncement: GASB Statement No. 87—*Leases*.

Governmental Accounting Standards Board (GASB) Statement No. 87—*Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE J—CHANGE IN ACCOUNTING PRINCIPLE—Continued

The restatement of beginning of the year as no impact on net position or fund balance. The change in receivables and deferred inflows are as follows:

	Balance Sheet - General Fund	
	Lease Receivable	Deferred Inflows
Balances at January 1, 2022	\$ -	\$ -
Adoption of GASB Statement 87	310,775	310,775
Balances at January 1, 2022, as restated	\$ 310,775	\$ 310,775
	Statement of Net Position - Governmental Activities	
	Lease Receivable	Deferred Inflows
Balances at January 1, 2022	\$ -	\$ -
Adoption of GASB Statement 87	310,775	310,775
Balances at January 1, 2022, as restated	\$ 310,775	\$ 310,775

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the Village’s 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Ravenna
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 279,950	\$ 279,950	\$ 284,583	\$ 4,633
Licenses and permits	7,000	7,000	19,261	12,261
Intergovernmental revenues				
Federal	66,674	66,674	-	(66,674)
State	125,679	125,679	175,774	50,095
Charges for services	170,652	170,652	171,128	476
Investment earnings	3,200	3,200	288	(2,912)
Other	13,700	13,700	25,268	11,568
Total revenues	666,855	666,855	676,302	9,447
EXPENDITURES				
Current				
General government				
Village council	12,600	12,600	10,697	1,903
Attorney and professional services	13,500	13,500	17,921	(4,421)
Clerk	17,762	17,762	11,759	6,003
Treasurer	15,986	15,986	10,468	5,518
Building and grounds	20,786	20,786	35,129	(14,343)
Other	9,000	9,000	3,469	5,531
Public safety				
Police and fire protection	24,058	24,058	19,058	5,000
Public works				
Department of public works	179,369	179,369	205,974	(26,605)
Street lighting	27,429	27,429	22,303	5,126
Sanitation	95,722	95,722	96,857	(1,135)
Engineering	7,500	7,500	5,853	1,647
Culture and recreation				
Parks	113,209	113,209	98,354	14,855
Capital outlay	50,000	50,000	56,681	(6,681)
Total expenditures	586,921	586,921	594,523	(7,602)
Excess of revenues over (under) expenditures	79,934	79,934	81,779	1,845
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	2,500	2,500
Transfers out	(14,000)	(14,000)	(14,000)	-
Total other financing sources (uses)	(14,000)	(14,000)	(11,500)	2,500
Net change in fund balance	<u>\$ 65,934</u>	<u>\$ 65,934</u>	70,279	<u>\$ 4,345</u>
Fund balance at beginning of year			518,198	
Fund balance at end of year			<u>\$ 588,477</u>	

Village of Ravenna
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues - State	\$ 180,381	\$ 180,381	\$ 194,527	\$ 14,146
Investment earnings	2,000	2,000	7,700	5,700
Other	-	-	3,924	3,924
Total revenues	182,381	182,381	206,151	23,770
EXPENDITURES				
Current				
Public works	77,904	77,904	62,384	15,520
Capital outlay	185,000	185,000	145,457	39,543
Total expenditures	262,904	262,904	207,841	55,063
Excess of revenues over (under) expenditures	(80,523)	(80,523)	(1,690)	78,833
OTHER FINANCING SOURCES				
Transfers in	14,000	14,000	14,000	-
Net change in fund balance	<u>\$ (66,523)</u>	<u>\$ (66,523)</u>	12,310	<u>\$ 78,833</u>
Fund balance at beginning of year			<u>404,085</u>	
Fund balance at end of year			<u>\$ 416,395</u>	

Village of Ravenna
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Local Streets Fund
 For the year ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues - State	\$ 38,296	\$ 38,296	\$ 48,634	\$ 10,338
Investment earnings	100	100	356	256
Total revenues	38,396	38,396	48,990	10,594
EXPENDITURES				
Current				
Public works	33,276	33,276	30,720	2,556
Net change in fund balance	<u>\$ 5,120</u>	<u>\$ 5,120</u>	18,270	<u>\$ 13,150</u>
Fund balance at beginning of year			<u>30,648</u>	
Fund balance at end of year			<u>\$ 48,918</u>	

Village of Ravenna
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY								
Service cost	\$ 3,313	\$ 3,256	\$ 3,149	\$ 5,769	\$ 5,704	\$ 5,575	\$ 5,252	\$ 7,831
Interest	54,705	52,618	48,263	48,268	46,681	44,967	48,448	46,172
Differences between expected and actual experience	10,297	1,188	67,928	(18,393)	(10,783)	(7,380)	(81,372)	-
Changes of assumptions	27,461	25,775	20,866	-	-	-	27,468	-
Benefit payments, including refunds of employee contributions	(55,400)	(55,400)	(47,000)	(21,801)	(21,801)	(21,801)	(28,438)	(21,801)
Net change in total pension liability	40,376	27,437	93,206	13,843	19,801	21,361	(28,642)	32,202
Total pension liability at beginning of year	745,850	718,413	625,207	611,364	591,563	570,202	598,844	566,642
Total pension liability at end of year (a)	\$ 786,226	\$ 745,850	\$ 718,413	\$ 625,207	\$ 611,364	\$ 591,563	\$ 570,202	\$ 598,844
PLAN FIDUCIARY NET POSITION								
Contributions-employer	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 17,431	\$ 7,940
Contributions-employee	675	623	801	1,158	1,143	1,119	1,135	1,520
Net investment income	90,931	75,440	77,099	(23,835)	71,042	55,222	(7,362)	30,450
Benefit payments, including refunds or employee contributions	(55,400)	(55,400)	(47,000)	(21,801)	(21,801)	(21,801)	(28,438)	(21,801)
Administrative expenses	(1,043)	(1,224)	(1,381)	(1,172)	(1,123)	(1,089)	(1,093)	(1,117)
Net change in plan fiduciary net position	53,163	37,439	47,519	(27,650)	67,261	51,451	(18,327)	16,992
Plan fiduciary net position at beginning of year	658,086	620,647	573,128	600,778	533,517	482,066	500,393	483,401
Plan fiduciary net position at end of year (b)	\$ 711,249	\$ 658,086	\$ 620,647	\$ 573,128	\$ 600,778	\$ 533,517	\$ 482,066	\$ 500,393
Village's net pension liability at end of year (a)-(b)	\$ 74,977	\$ 87,764	\$ 97,766	\$ 52,079	\$ 10,586	\$ 58,046	\$ 88,136	\$ 98,451
Plan fiduciary net position as a percentage of the total pension liability	90.46%	88.23%	86.39%	91.67%	98.27%	90.19%	84.54%	83.56%
Covered employee payroll	\$ 68,868	\$ 63,845	\$ 64,658	\$ 118,216	\$ 116,885	\$ 114,477	\$ 104,836	\$ 156,304
Village's net pension liability as a percentage of covered employee payroll	108.87%	137.46%	151.20%	44.05%	9.06%	50.71%	84.07%	62.99%

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

The following were significant changes to actuarial assumptions:

2015 Valuation - The investment rate of return assumption was reduced from 8.25 percent to 8.0 percent, the wage inflation assumption was reduced from 4.5 percent to 3.75 percent, inflation rates changed from 3.0 - 4.0 to 2.5 percent.

2019 Valuation - The investment rate of return assumption was reduced from 8.0 percent to 7.6 percent, the wage inflation assumption was reduced from 3.75 percent to 3.0 percent

2020 Valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 Valuation - The investment rate of return assumption was reduced from 7.6 percent to 7.25 percent.

Village of Ravenna
Required Supplementary Information
PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 15,096	\$ 13,860	\$ 5,028	\$ 4,992	\$ 5,460	\$ 13,524	\$ 11,373	\$ 8,197	\$ 7,940	\$ 8,106
Contributions in relation to the actuarially determined contribution	18,000	18,000	18,000	18,000	18,000	18,000	18,000	17,431	7,940	8,106
Contribution deficiency (excess)	<u>\$ (2,904)</u>	<u>\$ (4,140)</u>	<u>\$ (12,972)</u>	<u>\$ (13,008)</u>	<u>\$ (12,540)</u>	<u>\$ (4,476)</u>	<u>\$ (6,627)</u>	<u>\$ (9,234)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	Not available	\$ 68,868	\$ 63,845	\$ 64,658	\$ 118,216	\$ 118,216	\$ 116,885	\$ 114,477	\$ 104,836	\$ 156,304
Contributions as percentage of covered employee payroll	Not available	26.1%	28.2%	27.8%	15.2%	15.2%	15.4%	15.2%	7.6%	5.2%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.0 percent in the long-term
Investment rate of return	7.0 percent, net of investment and administrative expenses
Retirement age	50-60 years of age depending on years of service
Mortality	Based on a version of Pub-2010 and fully generational MP-2019