

Village of Ravenna
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

December 31, 2017



Village of Ravenna

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INDEPENDENT AUDITOR'S REPORT

May 3, 2018

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Honorable President and
Members of the Village Council
Village of Ravenna
May 3, 2018
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in net pension liability and related ratios and pension system schedule of contributions on pages 3 through 10 and 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Muskegon, Michigan

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, 2017. 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 \$4,287,371 and total liabilities/deferred inflows of resources of \$1,002,697 leaving a net position of \$3,284,674.
- Of the \$3,284,674 in total net position, the Village may use \$407,097 (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 and Major 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 and Major 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, 2017, the Village's net position from governmental activities totaled \$2,236,071 (68%) and \$1,048,603 (32%) from business-type activities, creating a total government-wide net position total of \$3,284,674.

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 \$176,942. This represents the amount of discretionary resources that can be used for general governmental operations.

As of December 31, 2017, the business-type activities show a total of \$1,048,603 in net position, of which \$230,155 is unrestricted. The Sewer Fund and Water Fund unrestricted net position is \$182,203 and \$47,952, respectively.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 525,867	\$ 451,641	\$ 283,864	\$ 286,999	\$ 809,731	\$ 738,640
Capital assets	1,762,349	1,731,929	1,663,100	1,693,623	3,425,449	3,425,552
Total assets	2,288,216	2,183,570	1,946,964	1,980,622	4,235,180	4,164,192
Deferred outflows of resources	22,964	36,113	29,227	45,961	52,191	82,074
Total assets and deferred outflows of resources	2,311,180	2,219,683	1,976,191	2,026,583	4,287,371	4,246,266
Current liabilities	25,489	37,502	79,782	85,234	105,271	122,736
Noncurrent liabilities	25,540	38,780	817,158	894,008	842,698	932,788
Total liabilities	51,029	76,282	896,940	979,242	947,969	1,055,524
Deferred inflows of resources	24,080	28,643	30,648	36,455	54,728	65,098
Total liabilities and deferred inflows of resources	75,109	104,925	927,588	1,015,697	1,002,697	1,120,622
Net position						
Net investment in capital assets	1,762,349	1,731,929	818,448	788,971	2,580,797	2,520,900
Restricted	296,780	242,456	-	-	296,780	242,456
Unrestricted	176,942	140,373	230,155	221,915	407,097	362,288
Total net position	\$ 2,236,071	\$ 2,114,758	\$ 1,048,603	\$ 1,010,886	\$ 3,284,674	\$ 3,125,644

Current assets in governmental activities increased due to no significant capital activity. Capital assets increased due to improvements on Stafford Street that were paid for by the Downtown Development Authority.

Capital assets for business-type activities decreased as current year depreciation exceeded capital asset additions. Noncurrent liabilities continue to decrease due to scheduled debt payments.

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 Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues						
Charges for services	\$ 62,717	\$ 62,273	\$ 399,126	\$ 385,421	\$ 461,843	\$ 447,694
Operating grants	206,486	177,954	75,582	92,564	282,068	270,518
Capital grants and contributions	61,400	39,841	-	-	61,400	39,841
General revenues						
Property taxes	226,862	215,727	-	-	226,862	215,727
Grants and contributions not restricted	127,078	103,348	-	-	127,078	103,348
Unrestricted investment earnings	194	320	459	437	653	757
Miscellaneous	21,466	17,297	-	-	21,466	17,297
Total revenues	706,203	616,760	475,167	478,422	1,181,370	1,095,182
Expenses:						
General government	75,540	67,790	-	-	75,540	67,790
Public safety	20,450	20,312	-	-	20,450	20,312
Public works	420,712	449,982	-	-	420,712	449,982
Culture and recreation	68,188	72,813	-	-	68,188	72,813
Sewer	-	-	215,354	229,577	215,354	229,577
Water	-	-	222,096	218,234	222,096	218,234
Total expenses	584,890	610,897	437,450	447,811	1,022,340	1,058,708
Change in net position	121,313	5,863	37,717	30,611	159,030	36,474
Net position - Beginning	2,114,758	2,108,895	1,010,886	980,275	3,125,644	3,089,170
Net position - Ending	\$ 2,236,071	\$ 2,114,758	\$ 1,048,603	\$ 1,010,886	\$ 3,284,674	\$ 3,125,644

Governmental Activities

Governmental activities net position increased by \$121,313 (5.7%) during the 2017 fiscal year. The preceding table depicts this occurrence.

Operating grants include an ongoing Stormwater, Asset Management, and Wastewater (SAW) grant obtained by the Village two years ago. Decreased activity in the SAW grant was offset by an increase in the amount of road funding from the State of Michigan. Capital grants for the current year were improvements to Stafford Street paid by the Downtown Development Authority and for the prior year were donations for park improvements. Public works expenditures decreased by about \$29,000 due to less SAW grant activity.

Business-Type Activities

Charges for services increased due to an increase in sewer rates. Operating grants and Sewer expenses decreased due to less activity in the aforementioned SAW grant.

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 2017 fiscal year, the Village's governmental funds reported a combined unassigned fund balance of \$219,380, 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 \$219,380, an increase of \$30,855 from fiscal year 2016. 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 43% of the General Fund's expenditures and transfers (29% 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 \$31,863 and in the Water Fund increased by \$5,854. The result was an overall increase in the proprietary funds of \$37,717. Ending net position of the Sewer Fund and Water Fund were \$788,296 and \$260,307, respectively.

General Fund Budget

During the current fiscal year, the Village made amendments to its original budget. The following summarizes some of the larger amendments made:

- Sanitation budgeted expenditures were increased by \$23,000 as the initial budget was too low and there was an increased fee for garbage services.
- Parks budgeted expenditures were increased by \$8,810 due to slightly higher than anticipated personnel costs and supplies.

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

- Intergovernmental revenues – State were over budget by \$10,271 as the Village did not budget for personal property replacement funds received from the State of Michigan.
- Other revenues were under budget by \$12,534 as reimbursements, donations, and other income were estimated and were less than expected.
- Street lighting expenditures were under budget by \$23,084 due to a credit for street lighting resulting from prior year overpayments.
- Storm water expenditures were under budget by \$19,209 as the Township completed its SAW grant.
- Transfers out were under budget by \$22,000 as the Village determined that transfers to other funds were unnecessary.

Capital Assets

The Village’s investment in capital assets for its governmental and business-type activities as of December 31, 2017 totaled \$3,425,449 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment and vehicles.

Among capital additions this year were Stafford Street improvements of \$101,400, chip sealing of Pleasant Place Drive for \$12,588, office renovations of \$9,332, and property purchased for a new lift station for \$54,555.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 31,000	\$ 31,000	\$ 87,518	\$ 32,963	\$ 118,518	\$ 63,963
Land improvements	85,877	94,038	-	-	85,877	94,038
Buildings and improvements	76,146	71,344	-	-	76,146	71,344
Equipment	61,115	66,881	34,682	37,968	95,797	104,849
Infrastructure	1,508,211	1,468,666	-	-	1,508,211	1,468,666
Sewer system	-	-	487,775	517,218	487,775	517,218
Water system	-	-	1,053,125	1,105,474	1,053,125	1,105,474
Total	\$ 1,762,349	\$ 1,731,929	\$ 1,663,100	\$ 1,693,623	\$ 3,425,449	\$ 3,425,552

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

Long-Term Debt

During the year, the Village made its scheduled payment on a loan from the State of Michigan Drinking Water Revolving Fund. At the end of the 2017 fiscal year, the Village had total outstanding debt of \$844,652.

The Village's Brownfield Redevelopment Authority component unit paid off its remaining debt during the year.

Additional information on the Village's long-term debt can be found in Note F 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 2017. In 2018, property tax revenues are budgeted to increase by approximately 6 percent and state shared revenues are expected to remain comparable to 2017.

The Village plans no significant changes to operational expenditures in 2018 other than the Village has completed its SAW grant and therefore has budgeted no expenditures for that grant.

There are no significant capital projects budgeted in the General Fund.

The Village is in the process of considering needed improvements for its lift stations and has been approved for a rural development loan through the United States Department of Agriculture. The final timing, scope, and cost of the improvements is in the process of being determined. Sewer rates are being evaluated to ensure revenue will be available to pay for these improvements.

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, (231) 853-2360.

Village of Ravenna
STATEMENT OF NET POSITION
December 31, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets				
Cash and investments	\$ 472,551	\$ 247,020	\$ 719,571	\$ 35,969
Receivables	12,604	36,844	49,448	20,399
Due from other governmental units	40,712	-	40,712	-
Due from primary government	-	-	-	4,786
Total current assets	525,867	283,864	809,731	61,154
Noncurrent assets				
Capital assets, net				
Nondepreciable	31,000	87,518	118,518	-
Depreciable	1,731,349	1,575,582	3,306,931	-
Total noncurrent assets	1,762,349	1,663,100	3,425,449	-
Total assets	2,288,216	1,946,964	4,235,180	61,154
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	22,964	29,227	52,191	-
Total assets and deferred outflows of resources	2,311,180	1,976,191	4,287,371	61,154
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	20,703	19,782	40,485	-
Due to component units	4,786	-	4,786	-
Bonds and other obligations, due within one year	-	60,000	60,000	-
Total current liabilities	25,489	79,782	105,271	-
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	-	784,652	784,652	-
Net pension liability	25,540	32,506	58,046	-
Total noncurrent liabilities	25,540	817,158	842,698	-
Total liabilities	51,029	896,940	947,969	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent fiscal year	-	-	-	18,208
Related to pension	24,080	30,648	54,728	-
Total deferred inflows of resources	24,080	30,648	54,728	18,208
Total liabilities and deferred inflows of resources	75,109	927,588	1,002,697	18,208
NET POSITION				
Net investment in capital assets	1,762,349	818,448	2,580,797	-
Restricted				
Enforcement activities - permits	15,782	-	15,782	-
Streets	280,998	-	280,998	-
Unrestricted	176,942	230,155	407,097	42,946
Total net position	\$ 2,236,071	\$ 1,048,603	\$ 3,284,674	\$ 42,946

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

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	\$ 75,540	\$ 3,940	\$ -	\$ -	\$ (71,600)	\$ -	\$ (71,600)	\$ -
Public safety	20,450	-	-	-	(20,450)	-	(20,450)	-
Public works	420,712	58,777	206,486	61,400	(94,049)	-	(94,049)	-
Culture and recreation	68,188	-	-	-	(68,188)	-	(68,188)	-
Total governmental activities	584,890	62,717	206,486	61,400	(254,287)	-	(254,287)	-
Business-type activities								
Sewer	215,354	171,593	75,582	-	-	31,821	31,821	-
Water	222,096	227,533	-	-	-	5,437	5,437	-
Total business-type activities	437,450	399,126	75,582	-	-	37,258	37,258	-
Total primary government	\$ 1,022,340	\$ 461,843	\$ 282,068	\$ 61,400	(254,287)	37,258	(217,029)	-
Component units								
Downtown Development Authority	\$ 86,193	\$ -	\$ -	\$ -	-	-	-	(86,193)
Brownfield Redevelopment Authority	-	-	-	-	-	-	-	-
Total component units	\$ 86,193	\$ -	\$ -	\$ -	-	-	-	(86,193)
General revenues								
Property taxes					226,862	-	226,862	29,535
Grants and contributions not restricted to specific programs					127,078	-	127,078	-
Unrestricted investment earnings					194	459	653	193
Miscellaneous					21,466	-	21,466	-
Total general revenues					375,600	459	376,059	29,728
Change in net position					121,313	37,717	159,030	(56,465)
Net position at January 1, 2017					2,114,758	1,010,886	3,125,644	99,411
Net position at December 31, 2017					\$ 2,236,071	\$ 1,048,603	\$ 3,284,674	\$ 42,946

The accompanying notes are an integral part of this statement.

Village of Ravenna
BALANCE SHEET
 Governmental Funds
 December 31, 2017

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 214,404	\$ 223,747	\$ 34,400	\$ 472,551
Property taxes receivable	12,604	-	-	12,604
Due from other governmental units	16,581	18,589	5,542	40,712
Total assets	\$ 243,589	\$ 242,336	\$ 39,942	\$ 525,867
LIABILITIES				
Accounts payable	\$ 14,268	\$ -	\$ -	\$ 14,268
Accrued liabilities	5,155	846	434	6,435
Due to component units	4,786	-	-	4,786
Total liabilities	24,209	846	434	25,489
FUND BALANCES				
Restricted				
Enforcement activities - permits	15,782	-	-	15,782
Streets	-	241,490	39,508	280,998
Unassigned	203,598	-	-	203,598
Total fund balances	219,380	241,490	39,508	500,378
Total liabilities, deferred inflows of resources and fund balances	\$ 243,589	\$ 242,336	\$ 39,942	\$ 525,867

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, 2017

Total fund balance—governmental funds \$ 500,378

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	\$ 3,459,027	
Accumulated depreciation	<u>(1,696,678)</u>	1,762,349

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>(26,656)</u>
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Net position of governmental activities	<u><u>\$ 2,236,071</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, 2017

	General Fund	Major Streets Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 226,862	\$ -	\$ -	\$ 226,862
Licenses and permits	3,940	-	-	3,940
Intergovernmental revenues - State	169,071	127,676	36,316	333,063
Charges for services	80,013	-	-	80,013
Investment earnings	194	447	53	694
Other	21,466	-	-	21,466
Total revenues	501,546	128,123	36,369	666,038
EXPENDITURES				
Current				
General government	68,898	-	-	68,898
Public safety	19,058	-	-	19,058
Public works	274,594	76,745	32,363	383,702
Culture and recreation	53,659	-	-	53,659
Other governmental functions	39,789	-	-	39,789
Capital outlay	14,693	-	-	14,693
Total expenditures	470,691	76,745	32,363	579,799
Net change in fund balances	30,855	51,378	4,006	86,239
Fund balances at January 1, 2017	188,525	190,112	35,502	414,139
Fund balances at December 31, 2017	\$ 219,380	\$ 241,490	\$ 39,508	\$ 500,378

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, 2017

Net change in fund balances—total governmental funds \$ 86,239

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	\$ (98,261)	
Capital outlay	<u>67,281</u>	(30,980)

Donations of capital assets increase net position in the Statement of
Activities, but do not appear in the governmental funds because
they are not financial resources.

61,400

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in the governmental funds.

Change in net pension liability and related deferred outflows/inflows of resources	<u>4,654</u>
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Change in net position of governmental activities	<u><u>\$ 121,313</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, 2017

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Current assets			
Cash and investments	\$ 182,078	\$ 64,942	\$ 247,020
Accounts receivable	22,007	14,837	36,844
Total current assets	204,085	79,779	283,864
Noncurrent assets			
Capital assets			
Land	86,355	1,163	87,518
Machinery and equipment	51,560	23,992	75,552
Utility systems	1,382,007	1,821,743	3,203,750
Less accumulated depreciation	(913,829)	(789,891)	(1,703,720)
Total noncurrent assets	606,093	1,057,007	1,663,100
Total assets	810,178	1,136,786	1,946,964
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	13,570	15,657	29,227
Total assets and deferred outflows of resources	823,748	1,152,443	1,976,191
LIABILITIES			
Current liabilities			
Accounts payable	5,199	7,194	12,393
Accrued liabilities	931	6,458	7,389
Bonds and other obligations, due within one year	-	60,000	60,000
Total current liabilities	6,130	73,652	79,782
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	-	784,652	784,652
Net pension liability	15,092	17,414	32,506
Total noncurrent liabilities	15,092	802,066	817,158
Total liabilities	21,222	875,718	896,940
DEFERRED INFLOWS OF RESOURCES			
Related to pension	14,230	16,418	30,648
Total liabilities and deferred inflows of resources	35,452	892,136	927,588
NET POSITION			
Net investment in capital assets	606,093	212,355	818,448
Unrestricted	182,203	47,952	230,155
Total net position	\$ 788,296	\$ 260,307	\$ 1,048,603

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, 2017

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 163,843	\$ 222,083	\$ 385,926
Operating grant	75,582	-	75,582
Total operating revenues	239,425	222,083	461,508
OPERATING EXPENSES			
Operations	183,462	147,420	330,882
Depreciation	31,892	53,186	85,078
Total operating expenses	215,354	200,606	415,960
Operating income	24,071	21,477	45,548
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	42	417	459
Connection fees	7,750	5,450	13,200
Interest expense	-	(21,490)	(21,490)
Total nonoperating revenues (expenses)	7,792	(15,623)	(7,831)
Change in net position	31,863	5,854	37,717
Net position at January 1, 2017	756,433	254,453	1,010,886
Net position at December 31, 2017	\$ 788,296	\$ 260,307	\$ 1,048,603

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, 2017

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 162,955	\$ 203,850	\$ 366,805
Receipts from operating grant	88,015	-	88,015
Receipts from interfund services provided	-	19,058	19,058
Payments to suppliers	(157,882)	(102,963)	(260,845)
Payments to employees	(31,870)	(37,380)	(69,250)
Payment for interfund services used	(6,633)	(5,154)	(11,787)
Net cash provided by operating activities	54,585	77,411	131,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	7,750	5,450	13,200
Purchases of capital assets	(54,555)	-	(54,555)
Principal paid on capital debt	-	(60,000)	(60,000)
Interest paid on capital debt	-	(21,865)	(21,865)
Net cash used for capital and related financing activities	(46,805)	(76,415)	(123,220)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	42	417	459
Net increase in cash and investments	7,822	1,413	9,235
Cash and investments January 1, 2017	174,256	63,529	237,785
Cash and investments at December 31, 2017	\$ 182,078	\$ 64,942	\$ 247,020
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 24,071	\$ 21,477	\$ 45,548
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	31,892	53,186	85,078
Change in assets and liabilities			
Accounts receivable	(888)	825	(63)
Due from other governmental units	12,433	-	12,433
Accounts payable	(9,999)	5,047	(4,952)
Accrued liabilities	(2,924)	(3,124)	(6,048)
Net cash provided by operating activities	\$ 54,585	\$ 77,411	\$ 131,996

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF NET POSITION
Discretely Presented Component Units
December 31, 2017

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 31,495	\$ 4,474	\$ 35,969
Receivables			
Accounts	2,191	-	2,191
Property taxes	7,943	10,265	18,208
Due from primary government	2,565	2,221	4,786
Total assets	44,194	16,960	61,154
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent fiscal year	7,943	10,265	18,208
NET POSITION			
Unrestricted	36,251	6,695	42,946
Total net position	\$ 36,251	\$ 6,695	\$ 42,946

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, 2017

<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	\$ 86,193	\$ (86,193)	\$ -	\$ (86,193)
Brownfield Redevelopment Authority				
Economic development	-	-	-	-
Total discretely presented component units	<u><u>\$ 86,193</u></u>	(86,193)	-	(86,193)
General revenues				
Property taxes		17,582	11,953	29,535
Unrestricted investment earnings		190	3	193
Total general revenues		<u>17,772</u>	<u>11,956</u>	<u>29,728</u>
Change in net position		(68,421)	11,956	(56,465)
Net position at January 1, 2017		<u>104,672</u>	<u>(5,261)</u>	<u>99,411</u>
Net position at December 31, 2017		<u><u>\$ 36,251</u></u>	<u><u>\$ 6,695</u></u>	<u><u>\$ 42,946</u></u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 Units

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, 2017

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 Village has only one other governmental fund, the Local Streets Fund.

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, 2017

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.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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).

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.

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.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost of the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year).

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.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Capital Assets—Continued

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

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
Infrastructure	20
Utility systems	30-50
Equipment	5-20
Vehicles	5-10

Defined Benefit Plan

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 fiduciary net position have been determined on the same basis as they are reported by the Municipal Employees Retirement System (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 position 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 position 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, 2017

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, 2017

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 2017 state taxable value for real/personal property of the Village totaled approximately \$26,982,000 of which approximately \$574,500 and \$268,000 was captured by the DDA and BRA, respectively. 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 and BRA component units.

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.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017, \$482,194 of the Village's bank balance of \$756,404 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.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE D—CAPITAL ASSETS

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

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Capital assets, being depreciated:				
Land improvements	132,226	-	-	132,226
Buildings and improvements	225,009	9,332	-	234,341
Equipment	225,885	5,361	-	231,246
Infrastructure	2,632,858	113,988	-	2,746,846
Vehicles	83,368	-	-	83,368
Total capital assets, being depreciated	3,299,346	128,681	-	3,428,027
Less accumulated depreciation:				
Land improvements	38,188	8,161	-	46,349
Buildings and improvements	153,665	4,530	-	158,195
Equipment	159,004	11,127	-	170,131
Infrastructure	1,164,192	74,443	-	1,238,635
Vehicles	83,368	-	-	83,368
Total accumulated depreciation	1,598,417	98,261	-	1,696,678
Total capital assets, being depreciated, net	1,700,929	30,420	-	1,731,349
Capital assets, net	\$ 1,731,929	\$ 30,420	\$ -	\$ 1,762,349

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE D—CAPITAL ASSETS—Continued

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 32,963	\$ 54,555	\$ -	\$ 87,518
 Capital assets, being depreciated:				
Sewer system	1,382,007	-	-	1,382,007
Water system	1,821,743	-	-	1,821,743
Equipment	75,552	-	-	75,552
Total capital assets, being depreciated	3,279,302	-	-	3,279,302
 Less accumulated depreciation:				
Sewer system	864,789	29,443	-	894,232
Water system	716,269	52,349	-	768,618
Equipment	37,584	3,286	-	40,870
Total accumulated depreciation	1,618,642	85,078	-	1,703,720
Total capital assets, being depreciated, net	1,660,660	(85,078)	-	1,575,582
Capital assets, net	\$ 1,693,623	\$ (30,523)	\$ -	\$ 1,663,100

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 1,503
Public works	86,867
Culture and recreation	9,891
	\$ 98,261

Business-type activities:

Sewer	\$ 31,892
Water	53,186
	\$ 85,078

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE E—INTERFUND RECEIVABLES AND PAYABLES

Due From/To Primary Government and Component Units:

The General Fund owes the DDA and BRA \$4,756 and \$2,221, respectively, for undistributed property taxes.

NOTE F—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, 2017.

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds	\$ 904,652	\$ -	\$ 60,000	\$ 844,652	\$ 60,000
Component units:					
Intergovernmental loan	\$ 21,558	\$ -	\$ 21,558	\$ -	\$ -

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Business-type activities:			
Revenue bonds:			
2008 Water Revenue Bonds	2.50%	April 2029	\$ 844,652

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

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, 2017.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2017 follow:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 60,000	\$ 10,557
2019	65,000	18,802
2020	65,000	17,177
2021	65,000	15,552
2022	70,000	13,865
2023-2027	365,000	49,006
2028-2029	154,652	8,724
	<u>\$ 844,652</u>	<u>\$ 133,683</u>

NOTE G—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, 2017

NOTE G—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 H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan

Plan Description

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 Village's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Plan covers all full-time employees hired prior to May 2015.

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, 2017

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Employees Covered by Benefit Terms

At December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1	
Inactive employees entitled to but not yet receiving benefits	1	
Active employees	2	
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, 2017, the Village had an annual flat-dollar employer contribution to the Plan of \$13,524 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, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent	
Salary increases	3.75 percent in the long-term	
Investment rate of return	7.75 percent, net of administrative and investment expenses	

Although no specific price inflation assumptions are needed for the valuation, the 2.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009 through 2013.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE H—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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent for 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. 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, 2017

NOTE H—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 December 31, 2015	\$ 570,202	\$ 482,066	\$ 88,136
Changes for the year			
Service cost	5,575	-	5,575
Interest	44,967	-	44,967
Difference between expected and actual experience	(7,380)	-	(7,380)
Contributions - employer	-	18,000	(18,000)
Contributions - employee	-	1,119	(1,119)
Net investment income	-	55,222	(55,222)
Administrative expenses	-	(1,089)	1,089
Benefit payments including refund of employee contributions	(21,801)	(21,801)	-
Net changes	21,361	51,451	(30,090)
Balance at December 31, 2016	\$ 591,563	\$ 533,517	\$ 58,046

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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Village's net pension liability	\$ 124,194	\$ 58,046	\$ 1,550

Note: 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.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H—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, 2017, the Village recognized pension expense of \$7,423. At December 31, 2017, 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	\$ -	\$ 54,728
Differences in assumptions	16,480	-
Net difference between projected and actual net investment income	17,711	-
Contributions subsequent to the measurement date*	18,000	-
Total	\$ 52,191	\$ 54,728

*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, 2018.

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
2018	\$ (4,719)
2019	(4,721)
2020	(6,249)
2021	(4,848)

Payables to the Pension Plan

At December 31, 2017, the Village reported a payable of \$1,593 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

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.

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, 2017, Village and employee contributions were \$3,287 and none, 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, 2017, there were no forfeitures.

At December 31, 2017, the Village reported a payable of \$302 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

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).

REQUIRED SUPPLEMENTARY INFORMATION

Village of Ravenna
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Property taxes	\$ 230,000	\$ 230,000	\$ 226,862	\$ (3,138)
Licenses and permits	5,000	5,000	3,940	(1,060)
Intergovernmental revenues - State	158,800	158,800	169,071	10,271
Charges for services	80,000	80,000	80,013	13
Fines and forfeitures	105	105	-	(105)
Investment earnings	525	525	194	(331)
Other	34,000	34,000	21,466	(12,534)
Total revenues	508,430	508,430	501,546	(6,884)
EXPENDITURES				
Current				
General government				
Village council	8,675	8,675	8,698	(23)
Attorney and professional services	12,500	12,500	6,356	6,144
Clerk	17,100	19,600	19,414	186
Treasurer	10,000	10,150	10,136	14
Building and grounds	22,665	24,365	24,294	71
Public safety				
Police and fire protection	19,058	19,058	19,058	-
Public works				
Department of public works	137,000	137,000	136,750	250
Street lighting	38,000	38,000	14,916	23,084
Storm water	65,000	65,000	45,791	19,209
Sanitation	55,000	78,000	77,137	863
Culture and recreation				
Parks	45,500	54,310	53,659	651
Other governmental functions				
Insurance and bonds	24,000	24,000	21,583	2,417
Engineering	7,500	7,500	6,954	546
Employer payroll taxes	9,000	11,300	11,252	48
Capital outlay	15,835	15,835	14,693	1,142
Total expenditures	486,833	525,293	470,691	54,602
Excess of revenues over (under) expenditures	21,597	(16,863)	30,855	47,718
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	500	500	-	(500)
Transfers out	(22,000)	(22,000)	-	22,000
Total other financing sources (uses)	(21,500)	(21,500)	-	21,500
Net change in fund balance	<u>\$ 97</u>	<u>\$ (38,363)</u>	30,855	<u>\$ 69,218</u>
Fund balance at January 1, 2017			188,525	
Fund balance at December 31, 2017			<u>\$ 219,380</u>	

Village of Ravenna
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Major Streets Fund
 For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental revenues - State	\$ 95,800	\$ 95,800	\$ 127,676	\$ 31,876
Investment earnings	400	400	447	47
Other	500	500	-	(500)
Total revenues	96,700	96,700	128,123	31,423
EXPENDITURES				
Current				
Public works	96,700	96,700	76,745	19,955
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	51,378	<u>\$ 51,378</u>
Fund balance at January 1, 2017			<u>190,112</u>	
Fund balance at December 31, 2017			<u>\$ 241,490</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)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 5,575	\$ 5,252	\$ 7,831
Interest	44,967	48,448	46,172
Differences between expected and actual experience	(7,380)	(81,372)	-
Changes of assumptions	-	27,468	-
Benefit payments, including refunds of employee contributions	(21,801)	(28,438)	(21,801)
Net change in total pension liability	21,361	(28,642)	32,202
Total pension liability at beginning of year	570,202	598,844	566,642
Total pension liability at end of year (a)	\$ 591,563	\$ 570,202	\$ 598,844
PLAN FIDUCIARY NET POSITION			
Contributions-employer	\$ 18,000	\$ 17,431	\$ 7,940
Contributions-employee	1,119	1,135	1,520
Net investment income	55,222	(7,362)	30,450
Benefit payments, including refunds or employee contributions	(21,801)	(28,438)	(21,801)
Administrative expenses	(1,089)	(1,093)	(1,117)
Net change in plan fiduciary net position	51,451	(18,327)	16,992
Plan fiduciary net position at beginning of year	482,066	500,393	483,401
Plan fiduciary net position at end of year (b)	\$ 533,517	\$ 482,066	\$ 500,393
Village's net pension liability at end of year (a)-(b)	\$ 58,046	\$ 88,136	\$ 98,451
Plan fiduciary net position as a percentage of the total pension liability	90.19%	84.54%	83.56%
Covered employee payroll	\$ 114,477	\$ 104,836	\$ 156,304
Village's net pension liability as a percentage of covered employee payroll	50.71%	84.07%	62.99%

Notes to Schedule

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

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 13,524	\$ 11,373	\$ 8,197	\$ 7,940	\$ 8,106	\$ 8,178	\$ 10,218	\$ 12,943	\$ 10,129	\$ 9,708
Contributions in relation to the actuarially determined contribution	18,000	18,000	17,431	7,940	8,106	8,178	10,218	12,943	10,129	9,708
Contribution deficiency (excess)	<u>\$ (4,476)</u>	<u>\$ (6,627)</u>	<u>\$ (9,234)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 114,477	\$ 104,836	\$ 104,836	\$ 156,304	\$ 154,874	\$ 195,794	\$ 196,495	\$ 189,494	\$ 190,405	\$ 189,513
Contributions as percentage of covered employee payroll	15.7%	17.2%	16.6%	5.1%	5.2%	4.2%	5.2%	6.8%	5.3%	5.1%

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
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male RP-2014 Group Annuity Mortality Table