

VILLAGE OF LEXINGTON
Sanilac County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED JUNE 30, 2019

**Stewart,
Beauvais
& Whipple P.C.**

CERTIFIED PUBLIC ACCOUNTANTS



VILLAGE OF LEXINGTON
Sanilac County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Village Council
Village of Lexington
Lexington, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lexington, Michigan (the "Village"), as of and for the year ended June 30, 2019 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 judgement, 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.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lexington, Michigan, as of June 30, 2019 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.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, management has elected to change the methodology used to allocate the net OPEB liabilities of the Village. Our opinions are not modified with respect to this matter.

Other Matters

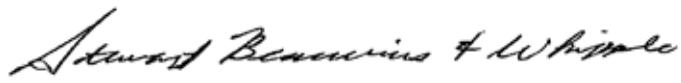
Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lexington, Michigan's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants

October 24, 2019

VILLAGE OF LEXINGTON, MICHIGAN

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The Village of Lexington, Michigan's (the "Village") annual financial report presents the Village's financial performance during the fiscal year that ended on June 30, 2019. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the Village. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Village's government, reporting the Village's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Village's net position and how they have changed. Net position, defined as the difference between the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the Village's financial health or position.

The government-wide financial statements of the Village are divided into two categories:

Governmental Activities - most of the Village's basic services are included here, such as public safety, public works, parks and recreation, and general administration. Property taxes/in lieu of property taxes, state-shared revenue, and charges for services provide most of the funding.

Business-type Activities - the Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water, sewer, and mobile home park operations are treated as business-type activities.

The government-wide financial statements include not only the Village itself (known as the primary government), but also a legally separate component unit, the Downtown Development Authority, for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself within this annual financial report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Village Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Village has two types of funds:

Governmental Funds - Most of the Village's basic services are reported in governmental funds (all funds except Sewer, Water, and MHP) which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the Village's general government operations and the basic services it provides.

Proprietary Funds - Services for which the Village charge customers a fee (Sewer, Water, and MHP) are reported in proprietary funds. Proprietary funds, like the government-wide statements, use the *accrual basis of accounting* and provide both long and short-term financial information. The Village's financial statements for the *enterprise funds* (a type of proprietary fund) are the same as the financial information for the business-type activities on the government-wide statements but provide more detail and information.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Village has combined total net position of \$7,443,798, with governmental activities comprising \$1,502,875 and business-type activities making up \$5,940,923 of the total net position at June 30, 2019. This is a net increase of \$260,622 over 2018. In a condensed format, the table below shows the information presented on the statements of net position as of the June 30, 2019 and 2018:

In Thousands

	Governmental Activities		Business-type Activities	
	2019	2018*	2019	2018*
Assets				
Other assets	\$ 1,675	\$ 1,611	\$ 2,218	\$ 2,417
Restricted assets	-	-	577	332
Capital assets	1,669	1,675	7,067	7,336
Total assets	3,344	3,286	9,862	10,085
Deferred Outflows of Resources	143	26	129	27
Liabilities				
Other liabilities	78	122	142	389
Long-term liabilities	1,892	1,642	3,895	4,026
Total liabilities	1,970	1,764	4,037	4,415
Deferred Inflows of Resources	14	29	13	32
Net Position				
Net investment in capital assets	1,669	1,675	5,355	5,386
Restricted	1,224	1,013	577	491
Unrestricted (Deficit)	(1,390)	(1,169)	9	(212)
Total net position	\$ 1,503	\$ 1,519	\$ 5,941	\$ 5,665

* The 2018 balances have been restated to reflect a change in accounting estimate relating to the allocation of the other postemployment benefit (OPEB) liabilities.

The Village's governmental activities experienced a decrease in net position of \$15,784 for the year ended June 30, 2019. The Village's business-type activities experienced an increase in net position of \$276,406 for the year ended June 30, 2019.

The following table shows the changes in net position for 2019 and 2018:

In Thousands

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue				
Program revenue:				
Charges for services	\$ 442	\$ 384	\$ 2,175	\$ 1,994
Operating grant and contributions	192	1,129	-	-
Capital grants and contributions	17	-	47	48
General revenue:				
Property taxes	556	536	-	-
Unrestricted grants	122	117	-	-
Unrestricted investment income	15	1	5	5
Land use fee (in lieu of property taxes)	217	185	(217)	(185)
Total Revenue	<u>1,561</u>	<u>2,352</u>	<u>2,010</u>	<u>1,862</u>
Program Expenses				
General government	293	253	-	-
Public safety	495	496	-	-
Public works	552	513	-	-
Health and welfare	29	27	-	-
Community and economic development	61	1,005	-	-
Recreation and cultural	65	72	-	-
Other activities	145	50	-	-
Interest on long-term debt	-	1	-	-
Water, sewer, and mobile home park			1,671	1,661
Total Program Expenses	<u>1,640</u>	<u>2,417</u>	<u>1,671</u>	<u>1,661</u>
Revenue over (under) expenses	(79)	(65)	339	201
Transfers	<u>63</u>	<u>83</u>	(63)	(83)
Changes in net position	<u><u>\$(-16)</u></u>	<u><u>\$18</u></u>	<u><u>\$276</u></u>	<u><u>\$118</u></u>

Governmental Activities

Revenues for governmental activities including transfers totaled \$1,623,968 in 2019, representing a decrease of \$810,291 from the prior year. Of this amount, \$191,964 was received from operating grants and contributions, a decrease of \$936,693 from the prior year, which was mainly due to a \$1,000,000 grant received in the prior year that was passed through for the Cadillac House renovation project. The largest revenue source was from taxes in the amount of \$555,673, an increase of \$19,306 from 2018. The next largest revenue source was from charges for services of \$442,426, an increase of \$58,389 from 2018.

Business-type Activities

The Village has three business-type activities, the water, sewer, and mobile home park operations. Total revenue including interest income and land use for allocation was \$2,010,358 and expenses including transfers were \$1,733,952, for an increase in net position of \$276,406.

FINANCIAL ANALYSIS OF MAJOR VILLAGE FUNDS

Governmental Funds

The General Fund completed the year with a fund balance of \$344,220, with \$64,056 classified as nonspendable for prepaid expenditures, \$19,246 restricted for the Metro Authority, and the remaining amount of \$260,918 unassigned, which was a result of revenues over expenditures of \$37,390.

The Village's other major governmental funds had the following changes in net position for the year ended June 30, 2019:

- The Major Street Fund had revenues in excess of expenditures of \$62,074.
- The Local Street Fund had expenditures in excess of revenues of \$99,537.
- The Municipal Street Fund had revenues in excess of expenditures of \$57,970.
- The County Road Fund had expenditures in excess of revenues of \$62,742.

Proprietary Funds - See prior discussion of Business-type Activities.

BUDGETARY HIGHLIGHTS

The General Fund budget was amended throughout the year as deemed necessary. The change between the final and original budgets resulted in an increase to net change in fund balance from \$373,210 to \$412,215. The budgeted revenue for intergovernmental state was increased by \$87,307 and land use fees were increased by \$34,371. Gains on sale of assets of \$98,206 and insurance proceeds of \$21,474 were added to the budgeted revenues. Budgeted expenditures for the police department increased by \$44,953 and retiree health insurance increased by \$92,304. The actual result was a net change in fund balance of \$344,200, or \$67,995 lower than the final budgeted balance.

Since the budget and amended budgets are estimates of what is expected, there are differences between budgets and actual results, of which none are considered significant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village had \$8,735,635 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2019. The investment is a capital asset which includes land, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, mobile home park, and utility systems. During the year, the Village added \$370,658 of capital assets, \$223,570 in the governmental activities, and \$147,088 in the business-type activities. Most of the business-type activities were a result of \$23,410 in construction in progress for sewer and water improvements, \$70,000 in water main upgrades, \$41,883 for water system equipment, and \$11,795 for mobile home park building improvements.

Additional information on the Village's capital assets can be found in Note 7 to the financial statements.

Long-term Debt

At year-end, the Village had \$1,712,403 in bonds and notes outstanding, versus \$1,950,137 last year, a decrease of \$237,734. The 2013 promissory note of \$180,000 for the lift station was paid in full. The 2013 promissory note for the water and sewer improvements was refinanced with the 2018 Water Supply and Sanitary Sewer Refunding Bond for \$606,000.

Additional information on the Village's long-term debt can be found in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village of Lexington, population 1,178 (2010 census), is a picturesque community located on the shores of Lake Huron in Sanilac County, Michigan. The Village's proximity to the metropolitan Detroit area and several major roadways, including Interstate 94, have earned the Village its reputation as the "First Resort North" in reference to the Village's idyllic setting and geographic location. Daily during the summer months, the Village often quadruples in population, transforming the Village into a regional hub for the arts, culture, and tourism.

The Village is approximately half-way through the Master Plan process which was made possible by a grant from the MEDC. This grant will also assist the Village in finalizing their Redevelopment Ready Certification status with the state. Through this process the Village has also began aligning a harbor redevelopment plan with the DNR, downtown development program, a 5-year parks and recreation plan and create a capital improvement committee to manage a plan for Village assets. This has and will continue to include a strong community engagement process.

Two major projects scheduled for completion during the fiscal year are a sewer extension to the Village's northern boundary along M25 and upgrades to our water treatment plant. The extension of sewer to our northern border along M25 will provide access to sewer for future development on currently vacant property. Upgrades to our water treatment plant are necessary to facilitate growth as we look at the sale of water to more of the neighboring communities.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelly McCoy by mail at 7227 Huron Avenue, Suite 100, Lexington, Michigan 48450; by phone at (810) 359-8631, by fax at (810) 359-5622; or by email at treasurer@villageoflexington.com.

BASIC FINANCIAL STATEMENTS

VILLAGE OF LEXINGTON, MICHIGAN

STATEMENT OF NET POSITION JUNE 30, 2019

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 1,535,097	\$ 1,684,425	\$ 3,219,522	\$ 93,989
Receivables	101,812	171,168	272,980	240
Prepaid expenditures	66,914	52,544	119,458	-
Internal balances	(28,569)	28,569	-	-
Contracts receivable- reserved capacity	-	281,104	281,104	-
Restricted Assets -				
Cash and cash equivalents	-	577,219	577,219	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	320,896	40,905	361,801	6,900
Assets being depreciated	1,347,554	7,026,280	8,373,834	318,830
Total Assets	<u>3,343,704</u>	<u>9,862,214</u>	<u>13,205,918</u>	<u>419,959</u>
Deferred Outflows of Resources:				
Related to the pension plan	105,047	93,155	198,202	-
Related to the OPEB plan	37,521	35,475	72,996	-
Total Deferred Outflows of Resources	<u>142,568</u>	<u>128,630</u>	<u>271,198</u>	<u>-</u>
Liabilities:				
Payables and accrued liabilities	41,425	22,225	63,650	5,946
Accrued interest	-	11,514	11,514	-
Advances and deposits	36,190	36,230	72,420	-
Unearned revenues	-	71,565	71,565	-
Non-current liabilities -				
Accrued vacation and sick pay	42,656	46,924	89,580	-
Net pension liability	675,643	599,154	1,274,797	-
Net OPEB liability	1,173,674	1,109,671	2,283,345	-
Unearned revenues	-	427,177	427,177	-
Due within one year	-	183,350	183,350	-
Due in more than one year	-	1,529,053	1,529,053	-
Total Liabilities	<u>1,969,588</u>	<u>4,036,863</u>	<u>6,006,451</u>	<u>5,946</u>
Deferred Inflows of Resources:				
Related to the OPEB plan	13,809	13,058	26,867	-
Net Position:				
Net investment in capital assets	1,668,450	5,354,782	7,023,232	325,730
Restricted -				
Metro Authority	19,246	-	19,246	-
Streets	1,204,932	-	1,204,932	-
Meter replacement	-	154,877	154,877	-
Equipment replacement	-	361,664	361,664	-
Debt retirement	-	60,678	60,678	-
Unrestricted (Deficit)	(1,389,753)	8,922	(1,380,831)	88,283
Total Net Position	<u>\$ 1,502,875</u>	<u>\$ 5,940,923</u>	<u>\$ 7,443,798</u>	<u>\$ 414,013</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 293,317	\$ 67,057	\$ -	\$ -
Public Safety	494,598	110,697	3,610	-
Public Works	551,981	254,748	135,324	-
Health and Welfare	28,754	-	-	-
Community and Economic Development	61,532	1,775	53,030	-
Recreation and Culture	64,701	8,149	-	16,500
Other activities	144,869	-	-	-
Total governmental activities	<u>1,639,752</u>	<u>442,426</u>	<u>191,964</u>	<u>16,500</u>
Business-type Activities:				
Sewer	306,951	463,627	-	-
Water	928,235	915,762	-	47,341
Mobile Home Park	435,303	795,135	-	-
Total business-type activities	<u>1,670,489</u>	<u>2,174,524</u>	<u>-</u>	<u>47,341</u>
Total Primary Government	<u>\$ 3,310,241</u>	<u>\$ 2,616,950</u>	<u>\$ 191,964</u>	<u>\$ 63,841</u>
Component Units				
Downtown Development Authority	<u>\$ 107,417</u>	<u>\$ 936</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment income				
Land use fee (in lieu of property taxes)				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as restated				
Net position at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Position

Primary Government				Component Unit (DDA)
Governmental Activities	Business-type Activities	Total		
\$(226,260)	\$ -	\$(226,260)	\$ -	
(380,291)	-	(380,291)	-	
(161,909)	-	(161,909)	-	
(28,754)	-	(28,754)	-	
(6,727)	-	(6,727)	-	
(40,052)	-	(40,052)	-	
(144,869)	-	(144,869)	-	
<u>(988,862)</u>	<u>-</u>	<u>(988,862)</u>	<u>-</u>	
-	156,676	156,676	-	
-	34,868	34,868	-	
<u>-</u>	<u>359,832</u>	<u>359,832</u>	<u>-</u>	
<u>-</u>	<u>551,376</u>	<u>551,376</u>	<u>-</u>	
<u>(988,862)</u>	<u>551,376</u>	<u>(437,486)</u>	<u>-</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,481)</u>	
555,673	-	555,673	122,692	
121,892	-	121,892	-	
14,775	5,768	20,543	-	
217,275	(217,275)	-	-	
63,463	(63,463)	-	-	
<u>973,078</u>	<u>(274,970)</u>	<u>698,108</u>	<u>122,692</u>	
(15,784)	276,406	260,622	16,211	
<u>1,518,659</u>	<u>5,664,517</u>	<u>7,183,176</u>	<u>397,802</u>	
<u>\$ 1,502,875</u>	<u>\$ 5,940,923</u>	<u>\$ 7,443,798</u>	<u>\$ 414,013</u>	

VILLAGE OF LEXINGTON, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Major Street	Local Street	Municipal Street
Assets:				
Cash and cash equivalents	\$ 299,556	\$ 212,819	\$ 186,866	\$ 524,507
Receivables -				
Utilities	16,951	-	-	-
Accounts	46,773	-	-	-
Due from other governmental units	17,627	14,036	6,425	-
Prepaid expenditures	64,056	941	766	-
Total Assets	<u>\$ 444,963</u>	<u>\$ 227,796</u>	<u>\$ 194,057</u>	<u>\$ 524,507</u>
Liabilities:				
Accounts payable	\$ 23,919	\$ 178	\$ 128	\$ -
Accrued liabilities	12,065	87	643	-
Advances and deposits	36,190	-	-	-
Advance from other funds	28,569	-	-	-
Total Liabilities	<u>100,743</u>	<u>265</u>	<u>771</u>	<u>-</u>
Fund Balances:				
Nonspendable for -				
Prepays	64,056	941	766	-
Restricted for -				
Streets	-	226,590	192,520	524,507
Metro Authority	19,246			
Committed for -				
Cemetery	-	-	-	-
Unassigned -				
General Fund	260,918	-	-	-
Total Fund Balances	<u>344,220</u>	<u>227,531</u>	<u>193,286</u>	<u>524,507</u>
Total Liabilities and Fund Balances	<u>\$ 444,963</u>	<u>\$ 227,796</u>	<u>\$ 194,057</u>	<u>\$ 524,507</u>

The accompanying notes are an integral part of these financial statements.

County Road	Other Governmental Funds	Total Governmental Funds
\$ 261,677	\$ 49,672	\$ 1,535,097
-	-	16,951
-	-	46,773
-	-	38,088
-	1,151	66,914
<u>\$ 261,677</u>	<u>\$ 50,823</u>	<u>\$ 1,703,823</u>
\$ 2,069	\$ 2,268	\$ 28,562
-	68	12,863
-	-	36,190
-	-	28,569
<u>2,069</u>	<u>2,336</u>	<u>106,184</u>
-	1,151	66,914
259,608	-	1,203,225
-	-	19,246
-	47,336	47,336
-	-	260,918
<u>259,608</u>	<u>48,487</u>	<u>1,597,639</u>
<u>\$ 261,677</u>	<u>\$ 50,823</u>	<u>\$ 1,703,823</u>

VILLAGE OF LEXINGTON, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Fund Balances - total governmental funds	\$ 1,597,639
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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 financial resources, and therefore, are not reported in the funds.

Capital assets	4,094,127
Accumulated depreciation	(2,425,677)

Certain pension/OPEB contributions and changes in pension/OPEB plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position, but not reported in the governmental funds.

Deferred outflows of resources	142,568
Deferred inflows of resources	(13,809)

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

Net pension liability	(675,643)
Net OPEB liability	(1,173,674)
Accrued compensated absences	<u>(42,656)</u>

Net Position of governmental activities	<u>\$ 1,502,875</u>
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General	Major Street	Local Street	Municipal Street
Revenues:				
Taxes	\$ 318,483	\$ -	\$ -	\$ 127,426
Intergovernmental	178,241	87,558	43,835	-
Charges for services	277,765	-	-	16,138
Fines and forfeits	7,121	-	-	-
Interest and rent	20,937	-	-	-
Other	289,456	-	-	-
Total Revenues	<u>1,092,003</u>	<u>87,558</u>	<u>43,835</u>	<u>143,564</u>
Expenditures:				
Current -				
General Government	189,507	-	-	-
Public Safety	490,045	-	-	-
Public Works	215,488	44,663	201,449	40,781
Health and Welfare	28,754	-	-	-
Community and Economic Development	61,532	-	-	-
Recreation and Cultural	68,098	-	-	-
Other	144,869	-	-	-
Total Expenditures	<u>1,198,293</u>	<u>44,663</u>	<u>201,449</u>	<u>40,781</u>
Revenues over (under) expenditures	<u>(106,290)</u>	<u>42,895</u>	<u>(157,614)</u>	<u>102,783</u>
Other Financing Sources (Uses):				
Transfers in	24,000	39,066	58,077	187
Transfers out	-	(19,887)	-	(45,000)
Proceeds on sale of asset	98,206	-	-	-
Insurance proceeds	21,474	-	-	-
Total Other Financing Sources	<u>143,680</u>	<u>19,179</u>	<u>58,077</u>	<u>(44,813)</u>
Net Change in Fund Balances	37,390	62,074	(99,537)	57,970
Fund Balances at beginning of year	<u>306,830</u>	<u>165,457</u>	<u>292,823</u>	<u>466,537</u>
Fund Balances at end of year	<u>\$ 344,220</u>	<u>\$ 227,531</u>	<u>\$ 193,286</u>	<u>\$ 524,507</u>

The accompanying notes are an integral part of these financial statements.

County Road	Other Governmental Funds	Total Governmental Funds
\$ 84,306	\$ 25,458	\$ 555,673
-	-	309,634
-	19,159	313,062
-	-	7,121
-	863	21,800
-	2,860	292,316
<u>84,306</u>	<u>48,340</u>	<u>1,499,606</u>
-	-	189,507
-	-	490,045
26,757	53,309	582,447
-	-	28,754
-	-	61,532
-	-	68,098
-	-	144,869
<u>26,757</u>	<u>53,309</u>	<u>1,565,252</u>
57,549	(4,969)	(65,646)
5,193	9,827	136,350
-	(8,000)	(72,887)
-	-	98,206
-	-	21,474
<u>5,193</u>	<u>1,827</u>	<u>183,143</u>
62,742	(3,142)	117,497
<u>196,866</u>	<u>51,629</u>	<u>1,480,142</u>
<u>\$ 259,608</u>	<u>\$ 48,487</u>	<u>\$ 1,597,639</u>

VILLAGE OF LEXINGTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$ 117,497
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	223,570
Depreciation expense	(177,941)
Loss on disposal of capital asset	(52,516)
Revenues deferred in the governmental funds because they do not provide current financial resources and are reported in the statement of activities.	(8,470)
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 funds.	
Increase in net pension liability	(187,435)
Increase in net OPEB liability	(55,475)
Increase in accrued compensated absences	(6,638)
Change in deferred outflows/inflows of resources as a result of the difference between projected and actual earnings and expected and actual experience	
Increase in pension contributions made subsequent to the plan's measurement date	129,048
	<u>2,576</u>
Change in net position of governmental activities	<u><u>\$ (15,784)</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LEXINGTON, MICHIGAN

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2019

	Sewer	Water	Mobile Home Park	Total
Assets:				
Current Assets -				
Cash and cash equivalents	\$ 401,196	\$ 565,300	\$ 717,929	\$ 1,684,425
Accounts receivable	62,881	108,157	130	171,168
Prepaid expenses	8,965	35,818	7,761	52,544
	<u>473,042</u>	<u>709,275</u>	<u>725,820</u>	<u>1,908,137</u>
Restricted Assets -				
Cash and cash equivalents	105,989	471,230	-	577,219
Noncurrent Assets -				
Advance to other funds	-	28,569	-	28,569
Capital assets, net	1,217,349	4,623,954	1,225,882	7,067,185
	<u>1,217,349</u>	<u>4,652,523</u>	<u>1,225,882</u>	<u>7,095,754</u>
Other Assets -				
Contracts receivable - reserved capacity	-	281,104	-	281,104
	<u>1,796,380</u>	<u>6,114,132</u>	<u>1,951,702</u>	<u>9,862,214</u>
Deferred Outflows of Resources:				
Related to the pension plan	25,767	63,425	3,963	93,155
Related to the OPEB plan	10,317	25,047	111	35,475
	<u>36,084</u>	<u>88,472</u>	<u>4,074</u>	<u>128,630</u>
Liabilities:				
Current Liabilities -				
Accounts payable	6,849	5,366	1,979	14,194
Accrued expenses	2,512	4,055	1,464	8,031
Accrued interest	1,454	7,881	2,179	11,514
Bonds payable (current portion)	19,610	103,390	-	123,000
Notes payable (current portion)	-	-	60,350	60,350
Deposits payable	-	-	36,230	36,230
Unearned revenue (current portion)	-	53,927	17,638	71,565
	<u>30,425</u>	<u>174,619</u>	<u>119,840</u>	<u>324,884</u>
Long-term Liabilities (less current portions) -				
Accrued vacation and sick pay	12,074	28,746	6,104	46,924
Net pension liability	165,724	407,935	25,495	599,154
Net OPEB liability	322,713	783,486	3,472	1,109,671
Unearned revenue (net of current portion)	-	427,177	-	427,177
Bonds payable (net of current portion)	204,610	1,143,390	-	1,348,000
Notes payable (net of current portion)	-	-	181,053	181,053
	<u>705,121</u>	<u>2,790,734</u>	<u>216,124</u>	<u>3,711,979</u>
Total Long-term Liabilities	<u>735,546</u>	<u>2,965,353</u>	<u>335,964</u>	<u>4,036,863</u>
Deferred Inflows of Resources:				
Related to the OPEB plan	3,797	9,219	42	13,058
Net Position:				
Net investment in capital assets	993,129	3,377,174	984,479	5,354,782
Restricted for meter replacement	83,538	71,339	-	154,877
Restricted for equipment replacement	-	361,664	-	361,664
Restricted for debt service	22,451	38,227	-	60,678
Unrestricted (Deficit)	(5,997)	(620,372)	635,291	8,922
	<u>\$ 1,093,121</u>	<u>\$ 3,228,032</u>	<u>\$ 1,619,770</u>	<u>\$ 5,940,923</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Sewer	Water	Mobile Home Park	Total
Operating Revenues:				
Charges for services	\$ 429,915	\$ 862,622	\$ 791,930	\$ 2,084,467
Other	26,408	12,603	3,205	42,216
Total Operating Revenues	<u>456,323</u>	<u>875,225</u>	<u>795,135</u>	<u>2,126,683</u>
Operating Expenses:				
Salaries	71,723	218,395	50,893	341,011
Fringe benefits	51,722	149,197	15,420	216,339
Administrative fees	18,749	58,460	53,138	130,347
Contracted services	7,929	20,078	23,722	51,729
Insurance	602	21,135	442	22,179
Repairs and maintenance	2,227	58,384	-	60,611
Equipment rental	15,417	2,417	9,889	27,723
Supplies	11,450	53,427	3,185	68,062
Utilities	46,069	38,918	98,178	183,165
Rubbish expenditures	-	-	34,659	34,659
Mobile home park taxes	-	-	35,584	35,584
Flow back charges	-	25,947	-	25,947
Miscellaneous	3,745	11,295	10,973	26,013
Depreciation	66,519	235,600	85,119	387,238
Total Operating Expenses	<u>296,152</u>	<u>893,253</u>	<u>421,202</u>	<u>1,610,607</u>
Operating Income (Loss)	<u>160,171</u>	(<u>18,028</u>)	<u>373,933</u>	<u>516,076</u>
Non-Operating Revenue (Expenses):				
Interest income	1,615	2,957	1,196	5,768
Interest expense and fiscal charges	(10,799)	(34,982)	(14,101)	(59,882)
Tap fees	7,304	9,364	-	16,668
Land use fee	-	-	(217,275)	(217,275)
Antenna leases	-	31,173	-	31,173
Total Non-Operating Revenue (Expenses)	<u>(1,880)</u>	<u>8,512</u>	<u>(230,180)</u>	<u>(223,548)</u>
Net Income (Loss) Before Contribution and Transfers	<u>158,291</u>	(<u>9,516</u>)	<u>143,753</u>	<u>292,528</u>
Capital Contribution:				
Non-Village customers	-	47,341	-	47,341
Transfers:				
Transfers out	<u>(8,731)</u>	<u>(7,269)</u>	<u>(47,463)</u>	<u>(63,463)</u>
Change in Net Position	<u>149,560</u>	<u>30,556</u>	<u>96,290</u>	<u>276,406</u>
Net Position at beginning of year, as restated	<u>943,561</u>	<u>3,197,476</u>	<u>1,523,480</u>	<u>5,664,517</u>
Net Position end of year	<u>\$ 1,093,121</u>	<u>\$ 3,228,032</u>	<u>\$ 1,619,770</u>	<u>\$ 5,940,923</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Sewer	Water	Mobile Home Park	Total
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 444,726	\$ 837,635	\$ 829,865	\$ 2,112,226
Cash payments to suppliers	(113,497)	(546,193)	(271,970)	(931,660)
Cash payments to employees	(106,543)	(331,987)	(78,336)	(516,866)
Net Cash Provided (Used) by Operating Activities	<u>224,686</u>	<u>(40,545)</u>	<u>479,559</u>	<u>663,700</u>
Cash Flows From Non-capital Financing Activities:				
Land use fee	-	-	(217,275)	(217,275)
Antenna leases	-	31,173	-	31,173
Transfers from/to other funds	(8,731)	(7,269)	(47,463)	(63,463)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(8,731)</u>	<u>23,904</u>	<u>(264,738)</u>	<u>(249,565)</u>
Cash Flows From Capital and Related to Financing Activities:				
Bond and note payments	(379,202)	(404,182)	(60,350)	(843,734)
Interest payments	(11,439)	(34,653)	(14,588)	(60,680)
Bond proceeds	224,220	381,780	-	606,000
Equipment replacement fees	-	47,341	-	47,341
Tap fees	7,304	9,364	-	16,668
Acquisition and construction of capital assets	(9,348)	(125,945)	(11,795)	(147,088)
Net Cash Used by Capital and Related Financing Activities	<u>(168,465)</u>	<u>(126,295)</u>	<u>(86,733)</u>	<u>(381,493)</u>
Cash Flows From Investing Activities:				
Proceeds from sale of investments	-	250,000	-	250,000
Interest earned	1,615	2,957	1,196	5,768
Net Cash Provided by Investing Activities	<u>1,615</u>	<u>252,957</u>	<u>1,196</u>	<u>255,768</u>
Net Increase in Cash and Cash Equivalents	49,105	110,021	129,284	288,410
Cash and Cash Equivalents at Beginning of Year	458,080	926,509	588,645	1,973,234
Cash and Cash Equivalents at End of Year	<u>\$ 507,185</u>	<u>\$ 1,036,530</u>	<u>\$ 717,929</u>	<u>\$ 2,261,644</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss) for the year	\$ 160,171	\$(18,028)	\$ 373,933	\$ 516,076
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -				
Depreciation	66,519	235,600	85,119	387,238
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Receivables	(11,597)	16,337	90	4,830
Deferred outflows of resources	(28,677)	(70,301)	(2,257)	(101,235)
Inventory held for sale	-	-	34,286	34,286
Prepaid expenses	(5,934)	(8,881)	(3,272)	(18,087)
Accounts payable/accrued expenses	532	(243,722)	661	(242,529)
Unearned revenue	-	(53,927)	(1,749)	(55,676)
OPEB liability	61,625	37,410	936	99,971
Net pension liability	(14,182)	78,562	(8,356)	56,024
Deposits	-	-	2,103	2,103
Deferred inflows of resources	(3,771)	(13,595)	(1,935)	(19,301)
Net Cash Provided (Used) by Operating Activities	<u>\$ 224,686</u>	<u>\$(40,545)</u>	<u>\$ 479,559</u>	<u>\$ 663,700</u>
Supplementary Non-Cash Capital and Related Financing Activity:				
Advance to General Fund to finance transfer of vehicle	<u>\$ -</u>	<u>\$ 28,569</u>	<u>\$ -</u>	<u>\$ 28,569</u>

The accompanying notes are an integral part of the financial statements

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Village of Lexington, Michigan (the “Village”), was incorporated as a General Law Village in 1855, under provisions of the constitution and general law of the State of Michigan (the “State”), with its Charter provided by Act 3 of 1895. The Village is located in Sanilac County (the “County”). The Village operates under an elected Village Council, which consists of the President and six Council members, with the daily activities operated by the Village Manager, Clerk, and Treasurer. The Village provides services to its residents in many areas including law enforcement, fire protection, water, sewer, cemetery, parks and recreation, and community and economic development.

These financial statements present the Village and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

DISCRETELY PRESENTED COMPONENT UNIT -

DOWNTOWN DEVELOPMENT AUTHORITY (DDA) - The DDA is controlled by a nine-member Board, who are appointed by the Village Council. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The DDA must obtain Village Council approval of all development and financing plans. The annual operating budget and any modification also require the approval of the Village Council.

The Downtown Development Authority was included in the scope of the audit of the basic financial statements. Separate audited financial statements for this component unit were not issued.

B. 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 unit. For the most part, the effect of interfund activity has been eliminated from these government-wide statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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 they are levied and due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues available if they are normally collected within 60 days after the year-end. 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 judgements, are recorded only when payment is due.

State-shared revenue, interest, licenses, and permits associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on July 1 and due on September 14, are recognized as revenue in the year for which they are levied. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

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

Major Street Fund - is used to account for the revenue received from the State of Michigan under Act 51, which are specifically earmarked for construction and maintenance of roads designated as Major Streets in the Village.

Local Street Fund - is used to account for the revenue received from the State of Michigan under Act 51, which are specifically earmarked for construction and maintenance of roads designated as Local Streets in the Village.

Municipal Street Fund - is used to account for the revenues received from taxes levied, which are to be used specifically for construction and maintenance of roads in the Village.

County Road Fund - is used to account for the County-wide millage restricted for County road maintenance and improvements.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Village reports the following major proprietary funds:

Sewer Fund - is used to account for the operations that provide sanitary sewer service to the Village residents.

Water Fund - is used to account for the operations that provide water to Village residents, the Worth Township Department of Public Works (DPW), and Sanilac Township.

Mobile Home Park Fund - is used to account for the operations of a mobile home park owned by the Village.

Additionally, the Village reports the following fund types:

Governmental Fund Types -

Special Revenue Fund - is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than major capital projects.

Capital Project Fund - is used to account for revenue and report financial resources that are restricted, committed, or assigned for the acquisition and/or construction of capital assets not being financed by proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue 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 on-going operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales, services, and rent. Operating expenses include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first and then unrestricted resources as they are needed.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance -

Deposits and Investments -

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, certificates of deposit with original maturities of three months or less from the date of acquisition and external investment pools. The investment pools have the general characteristics of demand deposit accounts in that the Village may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and for this reason are reported in the financial statements as cash equivalents.

The Village maintains a common checking account for its funds. Each participating fund reports its share separately.

State statutes authorize the Village to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuation per-share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and Prepaid Items -

Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Property Tax Calendar -

The Village's property tax is levied each July 1 on the taxable value of property located in the Village as of the preceding December 31. The taxes are collected through September 15, after which time they are added to the delinquent roll and must be paid at Sanilac County.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

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 columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government and the discretely presented component unit are depreciated using the straight-line method over the following estimated useful lives:

Building/Improvements	40 years
Utility Systems	40 years
Improvements Other Than Buildings	8-25 years
Machinery/Equipment/Vehicles	5-40 years

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee identified resignations and retirements.

Long-term Obligations -

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position and balance sheet 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 (expenses/expenditures) until then. The Village reports deferred outflows of resources related to the net pension and net OPEB liabilities.

In addition to liabilities, the statement of net position and balance sheet reports 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 (revenues) until that time. The Village reports deferred inflows of resources related to unavailable revenue reported in the governmental fund balance sheet for revenues that will not be collected within the 60-day period and deferred inflows of resources related to net OPEB liabilities.

Pension -

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

Other Postemployment Benefits (OPEB) -

The Village offers retiree healthcare benefits to employees. The Village records a net OPEB liability for the difference between the total liability, calculated using the alternative measurement method, and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense information about the fiduciary net position of the OPEB plan, and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments of the OPEB plan are reported at fair value.

Fund Balance -

In the fund financial statements, governmental funds have reported fund balances in one or more of the following classifications:

Nonspendable fund balance – the portion of fund balance that is not in a spendable form or is required to maintained intact.

Restricted fund balance – the portion of the fund balance that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Committed fund balance – the portion of fund balance where amounts can only be used for specific purposes pursuant to constraints imposed by formal action via Council resolution, to establish, modify or rescind, of the highest level of decision-making authority (Village Council).

Assigned fund balance – the portion of fund balance that reflects the Village's intended use of resources. Such intent currently must be determined by the Village Council. Also, amounts in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund is reported as assigned.

Unassigned fund balance – the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Village's policy that expenditures are to be spent from restricted fund balances first, if appropriate, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncement -

The Governmental Accounting Standards Board (GASB) issued the following statement that may have an impact on the Village's financial statements when adopted. The Village is currently evaluating the implications of this pronouncement.

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the Village's June 30, 2021 fiscal year. The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that were previously 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 of an 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 the government's leasing activities.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information -

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

The Village Manager and Finance Committee prepare the proposed operating budgets for the year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budgets are presented to the Village Council. The Village Council holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Village Council Resolution.

The approved budgets of the Village were adopted for the general and special revenue funds at the function level. These are the enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the legally adopted levels of the budget. State statutes do not require legally adopted budgets for debt service or capital projects funds.

Budgets are maintained throughout the year at the account level, to provide additional control in preventing over-expenditures at the legally adopted levels. Amendments at the function level for the general and special revenue funds must be approved by the Village Council.

Budget amounts are reported as originally adopted and as final amended by the Village Council, during the year.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control (any overages at the legal level of budgetary control greater than 10% of total expenditures and the overage itself is larger than 10%). For the fiscal year ended June 30, 2019, the Village had no overages that exceeded these thresholds.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2019, the carrying amount of the deposits and investments is as follows:

	Primary Government	Component Units	Total
Deposits -			
Cash on Hand -			
Petty Cash	\$ 300	\$ -	\$ 300
Deposits with Financial Institutions -			
Checking	3,593,700	93,989	3,687,689
Total Deposits	3,594,000	93,989	3,687,989
Investments -			
Investment Trust Fund	202,741	-	202,741
	\$ 3,796,741	\$ 93,989	\$ 3,890,730

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Reconciliation to Combined Balance Sheet -			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 300	\$ -	\$ 300
Cash in Checking	3,593,700	93,989	3,687,689
Investment Trust Fund	<u>202,741</u>	<u>-</u>	<u>202,741</u>
	<u><u>\$ 3,796,741</u></u>	<u><u>\$ 93,989</u></u>	<u><u>\$ 3,890,730</u></u>

Authorized Deposits and Investments -

The Village's investment policy and Act 217 PA 1982, as amended, authorizes the Village to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

The Village's investment policy and Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Village to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptances of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the Investment Company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 365, 129.111 to 129.118; investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

The Village's investment policy primary objectives, in order of priority, are safety, diversification, liquidity, and return on investment. The Village Treasurer is responsible for the investment program.

Custodial Credit Risk - Deposits - is the risk that in the event of a bank failure, the Village's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Village, as of June 30, 2019, the bank balance of the Village's deposits was \$3,791,051, of which \$357,146 was insured by depository insurance with the remaining balance of \$3,433,905 uninsured and uncollateralized.

Credit Risk - Investments - is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Village Investment Policy limits the types of investments the Village can purchase to those authorized by State law.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

The Village utilized the Michigan Liquid Asset Fund (MILAF), a comprehensive cash management service program developed exclusively for Michigan school districts and municipalities. MILAF is not subject to regulatory oversight and is not registered within the SEC, however, does issue a separate financial statement which can be obtained at www.milaf.org. MILAF is rated AAAm by Standard & Poors. The portfolio is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant share value of \$1.00. MILAF invests primarily in U.S. governmental securities, commercial paper, and repurchase agreements. MILAF is considered a money market fund, as defined by the GASB, and as such is recorded at amortized cost, which approximates fair value. The fair value of the Village's investment is the same as the value of the pool shares. This fund is not subject to the fair value disclosure. As of June 30, 2019, the Village has \$202,741 (fair value) in the external investment pool with an average of one day to mature.

Custodial Credit Risk - Investments - 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 that are in the possession of another party. The Village's investment policy does not address custodial credit risk.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village's investment policy addresses concentration of credit risk in that investments must be diversified.

Interest Rate Risk - Investments - is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy states that the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

NOTE 4 - TAXES:

The Village property taxes are levied each July on the assessed valuation of the property in the Village as of the preceding December 31, as adjusted by the March and July Board of Review.

Assessed values are established annually by the respective Village/Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Lexington for the fiscal year 2019 had a taxable value of \$48,057,129. The millage rates levied by the Village were 7.5450 for General Operating, 3.0177 for Municipal Streets, and 0.6032 for the Cemetery.

The County has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year. A County-wide property tax for road improvements is levied by the County of Sanilac and distributed to the cities, villages, and townships of the County.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities as of June 30, 2019 are as follows:

	Governmental Activities	Business-type Activities
Utilities	\$ 16,951	\$ 171,168
Accounts	46,773	-
Due from other governmental units	<u>38,088</u>	<u>-</u>
	<u>\$ 101,812</u>	<u>\$ 171,168</u>

NOTE 6 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:

The composition of interfund balances as of June 30, 2019 is as follows:

Advance From/To -

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Water Fund	General Fund	\$ 28,569 (A)

(A) Represents a long-term loan for capital purposes

Transfers In and Out -

<u>Receiving Fund</u>	<u>Expenditure Fund</u>	<u>Amount</u>
Primary Government		
General Fund	Cemetery Fund	\$ 8,000 (1)
General Fund	Sewer Fund	8,731 (3)
General Fund	Water Fund	7,269 (3)
Major Street Fund	Municipal Street Fund	25,000 (1)
Major Street Fund	Mobile Home Park Fund	14,066 (1)
Local Street Fund	Major Street Fund	19,887 (2)
Local Street Fund	Municipal Street Fund	20,000 (1)
Local Street Fund	Mobile Home Park Fund	18,190 (1)
Municipal Street Fund	Mobile Home Park Fund	187 (1)
County Road Fund	Mobile Home Park Fund	5,193 (1)
Cemetery Fund	Mobile Home Park Fund	<u>9,827 (1)</u>
		<u>\$ 136,350</u>

(1) To support operations and/or capital costs
(2) Application of Act 51 revenue allocation

(3) Sewer/Water sample proceeds over cost

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - CAPITAL ASSETS:

Capital asset activity of the primary government for the year ended June 30, 2019 was as follows:

Primary Government:

	Balance July 1, 2018	Additions	Disposals/ Adjustments	Balance June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 320,896	\$ -	\$ -	\$ 320,896
Capital assets, being depreciated:				
Buildings and building improvements	428,571	-	49,091	379,480
Improvements other than buildings	1,820,351	149,059	47,790	1,921,620
Machinery and equipment	400,290	37,000	-	437,290
Vehicles	1,024,925	37,511	27,595	1,034,841
Total capital assets being depreciated	<u>3,674,137</u>	<u>223,570</u>	<u>124,476</u>	<u>3,773,231</u>
Less accumulated depreciation for:				
Buildings and building improvements	339,858	8,525	9,818	338,565
Improvements other than buildings	874,712	84,390	45,585	913,517
Machinery and equipment	368,246	14,479	-	382,725
Vehicles	736,880	70,547	16,557	790,870
Total accumulated depreciation	<u>2,319,696</u>	<u>177,941</u>	<u>71,960</u>	<u>2,425,677</u>
Total capital assets being depreciated, net	<u>1,354,441</u>	<u>45,629</u>	<u>52,516</u>	<u>1,347,554</u>
Governmental activities capital assets, net	<u>\$ 1,675,337</u>	<u>\$ 45,629</u>	<u>\$ 52,516</u>	<u>\$ 1,668,450</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 17,495	\$ -	\$ -	\$ 17,495
Construction in progress	-	23,410	-	23,410
Total capital assets, not being depreciated	<u>17,495</u>	<u>23,410</u>	<u>-</u>	<u>40,905</u>
Capital assets, being depreciated:				
Buildings and improvements	119,752	-	-	119,752
Mobile home park	2,789,917	11,795	-	2,801,712
Utility systems	11,348,700	70,000	-	11,418,700
Machinery and equipment	265,892	41,883	30,610	277,165
Total capital assets being depreciated	<u>14,524,261</u>	<u>123,678</u>	<u>30,610</u>	<u>14,617,329</u>
Less accumulated depreciation for:				
Buildings and improvements	48,299	4,125	-	52,424
Mobile home park	1,522,436	82,321	-	1,604,757
Utility systems	5,463,981	289,016	-	5,752,997
Machinery and equipment	171,136	11,776	2,041	180,871
Total accumulated depreciation	<u>7,205,852</u>	<u>387,238</u>	<u>2,041</u>	<u>7,591,049</u>
Total capital assets being depreciated, net	<u>7,318,409</u>	<u>(263,560)</u>	<u>28,569</u>	<u>7,026,280</u>
Business activities capital assets, net	<u>\$ 7,335,904</u>	<u>\$ (240,150)</u>	<u>\$ 28,569</u>	<u>\$ 7,067,185</u>

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - CAPITAL ASSETS - (cont'd):

Discretely Presented Component Unit:	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance June 30, 2019</u>
Capital assets, not being depreciated - Construction in progress	\$ -	\$ 6,900	\$ -	\$ 6,900
Capital assets, being depreciated - Leasehold improvements	5,894	-	5,894	-
Building and improvements	89,817	-	-	89,817
Improvements other than buildings	173,408	-	-	173,408
Equipment	145,186	7,104	-	152,290
Total capital assets being depreciated	414,305	7,104	5,894	415,515
Less accumulated depreciation for - Leasehold improvements	3,848	171	4,019	-
Buildings and improvements	16,555	4,491	-	21,046
Improvements other than buildings	46,432	8,670	-	55,102
Equipment	9,210	11,327	-	20,537
Total accumulated depreciation	76,045	24,659	4,019	96,685
Total capital assets, being depreciated, net	338,260	(17,555)	1,875	318,830
Component unit capital assets, net	\$ 338,260	\$(-10,655)	\$ 1,875	\$ 325,730

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities -			
General Government			\$ 17,290
Public Safety			40,899
Public Works			112,460
Recreation and Cultural			<u>7,292</u>
Total depreciation expense - Governmental Activities			\$ 177,941
Business-type Activities -			
Sewer Fund			\$ 66,519
Water Fund			235,600
Mobile Home Park Fund			<u>85,119</u>
Total depreciation expense - Business-type Activities			\$ 387,238

NOTE 8 - PAYABLES:

Payables at June 30, 2019 in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable	\$ 28,562	\$ 14,194
Accrued liabilities	<u>12,863</u>	<u>8,031</u>
	<u>\$ 41,425</u>	<u>\$ 22,225</u>

VILLAGE OF LEXINGTON

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 9 - LONG-TERM DEBT:

Primary Government -

The following is a summary of changes in the long-term liabilities (including current portions) for the year ended June 30, 2019:

	<u>Balance</u>			<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>		<u>One Year</u>
<u>Governmental Activities:</u>						
Governmental Fund -						
Accrued sick and vacation	\$ 36,018	\$ 6,638	\$ -	\$ 42,656	\$ -	
<u>Business-type Activities:</u>						
1999 WSS Bonds/Contracts Payable	930,000	-	65,000	865,000		70,000
2013 Promissory Note (Water)	339,182	-	339,182	-		-
2013 Promissory Note (Sewer)	199,202	-	199,202	-		-
2013 Promissory Note (Lift Station)	180,000	-	180,000	-		-
2018 Water Supply & Sanitary Sewer Refunding Bond (Sewer)	-	224,220	-	224,220		19,610
2018 Water Supply & Sanitary Sewer Refunding Bond (Water)	-	381,780	-	381,780		33,390
2002 Promissory Note (MHP)	301,753	-	60,350	241,403		60,350
Accrued sick and vacation	<u>42,038</u>	<u>4,886</u>	<u>-</u>	<u>46,924</u>		<u>-</u>
Total Business-type Activities	<u>1,992,175</u>	<u>610,886</u>	<u>843,734</u>	<u>1,759,327</u>		<u>183,350</u>
Total Primary Government	\$ 2,028,193	\$ 617,524	\$ 843,734	\$ 1,801,983	\$	183,350

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

Accrued Vacation and Sick Pay:

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The governmental activities' portion of \$42,656, as well as the proprietary funds and business-type activities' portion of \$46,924, has been recorded as a long-term liability.

1999 Water Fund Contracts Payable:

Pursuant to provisions of Act 185, Public Acts of Michigan, 1957, as amended, the Village of Lexington and other applicable municipalities and the County of Sanilac have entered into contracts whereby the Village has agreed to pay the County annual installments to retire the Village's portion of a bond issue, plus interest. In order to pay such amounts to the County, the Village is obligated to the extent necessary, to levy ad valorem taxes without limitation as to the rate or amount on all taxable property. It is the intention of the Village Council to pay the Village's portion of the obligation from debt retirement charges and operating revenue generated by the Water Fund.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - LONG-TERM DEBT - (cont'd):

In order to finance the cost of the improvements the Sanilac County Department of Public Works has participated in the Drinking Water Revolving Fund through which the Department of Environmental Quality Bonds, dated September 30, 1999, have been sold in the amount of \$1,904,339. The Village makes the debt service payments directly to the State of Michigan which includes interest at 2.50%, payable semi-annually. \$ 865,000

The annual requirement for the 1996 Drinking Water Revolving Loan is as follows:

Year	Principal	Interest
2020	\$ 70,000	\$ 20,750
2021	70,000	19,000
2022	75,000	17,188
2023	75,000	15,313
2024	75,000	13,438
2025-2029	410,000	37,250
2030	<u>90,000</u>	<u>1,125</u>
	<u><u>\$ 865,000</u></u>	<u><u>\$ 124,064</u></u>

2018 Water Supply and Sanitary Sewer Refunding Bond:

In November 2018, the Village refinanced its 2013 promissory note for constructing and improvements to the sewer and water system. The principal refinanced was \$606,000 at an interest rate of 3.89%, due semi-annually. Principal payments are due starting September 1, 2019 through September 1, 2028 in annual installments ranging from \$53,000 to \$70,000. \$ 606,000

The annual requirement for the 2018 Water Supply and Sanitary Sewer Refunding Bond is as follows:

Year	Principal	Interest
2020	\$ 53,000	\$ 22,543
2021	53,000	20,481
2022	55,000	18,381
2023	55,000	16,241
2024	60,000	14,004
2025-2029	<u>330,000</u>	<u>33,063</u>
	<u><u>\$ 606,000</u></u>	<u><u>\$ 124,713</u></u>

2002 Mobile Home Park Promissory Note:

In August 2002, the Village of Lexington refinanced its 1996 SDS Revenue Bond of \$600,000 and its 1996 WSS Revenue Bond of \$586,000 for constructing additions and improvements to the mobile home park with a promissory note. The principal refinanced was \$1,207,011 at an interest rate of 5.30%, due semi-annually. Principal payments are due annually starting September 1, 2003 through September 1, 2022 in the amount of \$60,350. \$ 241,403

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - LONG-TERM DEBT - (cont'd):

The annual requirements to amortize the promissory note obligation outstanding at June 30, 2019 are as follows:

Year	2002 MHP	
	Principal	Interest
2020	\$ 60,350	\$ 11,195
2021	60,350	7,996
2022	60,350	4,798
2023	<u>60,353</u>	<u>1,635</u>
	<u>\$ 241,403</u>	<u>\$ 25,624</u>

NOTE 10 - PENSION PLANS:

Defined Benefit Plan:

Plan Descriptions -

The Village of Lexington participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer state-wide public employee defined benefit pension plan that covers all employees that work at least 40 hours per week. The pension plan is closed to new-hires. MERS was created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established to provide retirement, survivor, and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1974, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information at www.mersofmich.com or by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense have been determined on the same basis as they are reported by the pension plan (the "Plan"). The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal, statutory, and contractual requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with benefit terms.

The membership at December 31, 2018 was comprised of 5 active participants, 9 retirees and beneficiaries, 2 vested inactive participants, and 2 unvested inactive participants.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - PENSION PLANS - (cont'd):

Benefits Provided -

Retirement benefits are calculated as 2.5% of the employee's final three-year average salary times the employee's years of service. Employees are vested after 6 years of service. Normal retirement age is 60. Early retirement with a reduced benefit is at 50 with 25 years of service or at 55 with 15 years of service or for an unreduced benefit at 55 with 25 years of service. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability benefits are determined in the same manner as retirement benefits but are payable immediately. An employee who leaves service may withdraw his or her contributions, plus accumulated interest. Benefit terms provide for annual cost-of-living adjustments to each employee's retirement benefit subsequent to the employee's retirement date of 2.25%.

Benefit terms, within the parameters established by MERS, are established and amended by authority of Village Council.

Contributions -

Participants of the Plan contribute 5% of compensation with the remaining amount contributed by the Village based on actuarially determined amounts. The Village pays the actuarially determined amount, which for the year ended June 30, 2019 was \$6,743 per month for general employees, with fiscal year contributions of \$80,916.

Net Pension Liability -

The net pension liability of the Village has been measured as of December 31, 2018 as determined by an actuarial valuation performed as of that date. The changes in the net pension liability are composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 2,744,033	\$ 1,759,727	\$ 984,306
Service cost	27,227	-	27,227
Interest on total pension liability	213,759	-	213,759
Net investment income (loss)	- (66,864)	(66,864)	66,864
Difference between expected and actual experience	70,416	-	70,416
Contributions from employer	- 79,050	(79,050)	(79,050)
Contributions from employees	- 12,090	(12,090)	(12,090)
Benefit payments	(171,324)	(171,324)	-
Administrative costs	- (3,365)	(3,365)	3,365
 Ending balance	 \$ 2,884,111	 \$ 1,609,314	 \$ 1,274,797
 Plan fiduciary net position as a percentage of the total pension liability			56%

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - PENSION PLANS - (cont'd):

Pension Expense and Deferred Outflows of Resources Related to Pensions -

For the year ended June 30, 2019, the Village recognized pension expense of \$195,089, including \$113,994 in the governmental activities and \$81,095 in the business-type activities and proprietary fund financial statements of the primary government. At June 30, 2019, the Village reported deferred outflows of resources related to pensions from the following sources:

Primary Government

Net difference between projected and actual earnings on Plan investments	\$ 122,536
Contributions made subsequent to the measurement date	40,458
Difference between expected and actual experience	<u>35,208</u>
	<u>\$ 198,202</u>

The amounts of deferred outflows of resources related to pension, excluding contributions to the Plan subsequent to the measurement date which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

2020	\$ 122,537
2021	<u>35,207</u>
	<u>\$ 157,744</u>

Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2018. The valuation used the following actuarial assumptions based on the most recent study of Plan experience covering the period from January 1, 2009 through December 31, 2013.

Salary Increases - 3.75%

Inflation - 2.5%

Investment Rate of Return - 7.75%

Mortality Rates - 50% Male and 50% Female blend of the following tables: 1) the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%; 2) the RP-2014 Employee Mortality Tables; and 3) the RP-2014 Juvenile Mortality Tables. For disabled retirees, the RP-2014 Disabled Retiree Mortality Tables using a 50% Male and 50% Female blend were used.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - PENSION PLANS - (cont'd):

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. 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.

Projected Cash Flows - Based on the assumptions above, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected real rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2018 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote of the Plan, 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	55.50 %	3.41 %
Global Fixed Income	18.50	0.23
Real Assets	13.50	0.97
Diversifying Strategies	12.50	0.63

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 8.00 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 (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1 % Increase (9.00%)</u>
Net Pension Liability of the Primary Government	\$ 1,578,995	\$ 1,274,797	\$ 1,013,633

Defined Contribution Plan:

Effective June 27, 2011, the Village has established a defined contribution plan for all employees hired after January 1, 2005. The Plan requires the Village to contribute/match on behalf of each participant 3% of each participating employees' base salary if the participating employee contributes at least 6% of their base salary to the Plan. Participants are not required to make a contribution to the Plan. Both employer and employee contributions are 100% vested immediately. Employees are eligible to begin contribution to the Plan 90 days after hire. The Village Council has the authority to rescind the match provision due to budget constraints via Council resolution. Employer contributions to the Plan for the year ended June 30, 2019 totaled \$20,414.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS:

Plan Description -

The Village of Lexington, Michigan, administers the Village Retiree Health Plan (the “OPEB Plan”), a single-employer defined benefit other postemployment benefit (OPEB) plan that provides postemployment benefits other than pensions to any employee that retires on or after attaining age 55 with a minimum of 25 years of continuous service or 30 years of non-continuous service with the Village.

The OPEB Plan does not issue a publicly-available financial report as it is audited within the financial report of the Village.

Benefits Provided -

The Village provides 100% of the health insurance premium to eligible employees upon retirement. Benefits will be received until Medicare age, at which time the Village will provide a Medicare supplement to the employee.

Summary of Significant Accounting Policies -

For purposes of measuring net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense, the fiduciary net position of the OPEB Plan and additions to/deductions from fiduciary net position have been determined as the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. The unfunded net OPEB liability is being amortized as a level percentage of payroll on an open period with a remaining amortization period of 30 years.

Contributions -

During the year ended June 30, 2019, annually required contributions were \$209,240 and actual contributions of \$152,657 were made. The valuation, dated June 30, 2018, determined a required contribution of 39% of covered payroll. There are no required member contributions.

Management of the OPEB Plan is provided by the Village Council.

The contributions of OPEB Plan members and the Village are established and may be amended by the Village Council. Most administrative costs consist of processing retiree health insurance payments of the OPEB Plan and are paid with Village resources.

Plan Membership -

At June 30, 2018, OPEB Plan membership consisted of 13 active members and 8 inactive members or beneficiaries receiving benefits.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS - (cont'd):

Net OPEB Liability -

The net OPEB liability of the Village has been measured by a simplified version of the entry age actuarial cost method valuation as of June 30, 2018, which used updated procedures to roll forward the estimated liability to June 30, 2019 and is composed of the following:

	Total OPEB Liability	OPEB Plan's Net Position	Net OPEB Liability
Beginning Balance	\$ 2,175,738	\$ -	\$ 2,175,738
Service cost	114,888	-	114,888
Interest on OPEB liability	67,450	-	67,450
Net investment income	-	2,391	(2,391)
Difference between expected and actual experience	80,296	-	80,296
Contributions from employer	-	152,657	(152,657)
Benefit payments	(54,450)	(54,450)	-
Administrative costs	-	(21)	21
Ending Balance	<u>\$ 2,383,922</u>	<u>\$ 100,577</u>	<u>\$ 2,283,345</u>
OPEB Plan fiduciary net position as a percentage of total OPEB liability			4.22%

For the year ended June 30, 2019, the Village recognized OPEB expenses of \$185,231, including \$161,662 in the governmental activities and \$23,569 in the business-type activities and proprietary fund financial statements of the primary government. At June 30, 2019, the Village reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB Plan investments	\$ -	\$ 742
Difference between expected and actual experience	<u>72,996</u>	<u>26,125</u>
	<u>\$ 72,996</u>	<u>\$ 26,867</u>

The amounts of deferred outflows/inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

2020	\$ 4,336
2021	4,336
2022	4,336
2023	4,334
2024	4,521
2025-2029	<u>24,266</u>
	<u>\$ 46,129</u>

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS - (cont'd):

Methods and Assumptions -

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the OPEB liability and the value of assets consistent with the long-term perspective of the calculations.

The total OPEB liability was determined by a simplified version of the entry age actuarial cost method valuation as of June 30, 2018, which used updated procedures to roll forward the estimated liability to June 30, 2019. The valuation used the following assumptions:

Retirement Age of Active Employees - Based on the required retirement age for the covered group, active plan members were assumed to retire at age 55.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control (www.cdc.gov). The most recent data are the life tables for males and females, 2014 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 66, No. 4 dated August 14, 2017).

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employment until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. The rate was estimated at 4.9 percent for 2020, fluctuating between 4.4 percent and 4.9 percent before decreasing to 4.7 percent in 2025 and for the years thereafter.

Health Insurance Premiums - 2019 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate assumption of 2.0 percent was based on the salary increases per the union contract.

Discount Rate - A discount rate of 2.79% was used. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS - (cont'd):

Investment Policy -

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Village Council by a majority vote of its members.

The long-term expected rate of return on the OPEB Plan's investments was determined using a forward-looking estimate of capital market returns model for each investment's major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The adopted asset allocation policy and the best estimates of arithmetic real rates of return for each asset class as of June 30, 2019 are as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return Before Inflation
Global Equity	55.50 %	4.80 %
Global Fixed Income	18.50	0.70
Real Assets	13.50	1.31
Diversifying Strategies	12.50	0.94
Total	<u>100.00 %</u>	<u>7.75 %</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate -

The following presents the net OPEB liability of the Village, calculated using the discount rate of 2.79% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.79%) or one-percentage-point higher (3.79%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$ 2,642,715	\$ 2,283,345	\$ 1,978,940

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability of the Village, calculated using the healthcare cost trend rate of 4.90%, decreasing to 4.40% before increasing to 4.90% and then decreasing to 4.70%, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower (3.90%) or one percentage-point higher (5.90%) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,931,029	\$ 2,283,345	\$ 2,717,442

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - EXTERNAL SALE OF WATER:

In addition to the sale of water to Village residents, the Village sells water through contracts with the Worth Township DPW and Sanilac Township. The contract with the Worth Township DPW requires monthly payments for usage based on flow times a specified fixed unit rate per thousand gallons. In addition, the contract requires the Worth Township DPW to make quarterly payments of \$11,727 to the Village to be maintained in a reserve account for equipment replacement. The quarterly payments are to be made on January 1, April 1, July 1, and October 1. The reserve account will be utilized for Worth Township DPW's share of water treatment plant related equipment replacement and associated labor. The balance of this reserve account reported in the Village Water Fund at June 30, 2019 is \$361,664. Also, the contract requires the Worth Township DPW to pay its 45.5% share of future semi-annual debt service payments on the indebtedness incurred by the Village for the water plant intake system. Payments of \$14,643 are due each year to the Village on March 1 and September 1, based on the Worth Township DPW average annual debt service share. The Village has recorded contracts receivable reserved capacity in the Water Fund, classified as other assets, of \$281,104 and corresponding unearned revenue of \$281,104 at June 30, 2019 to account for the future debt service principle requirements.

The contract with Sanilac Township requires monthly payments for usage based on flow times, a specified fixed unit rate per thousand gallons. In addition, a part of the contract was for the Township to reserve capacity in the water plant for twenty years at a cost of \$500,000, which was paid at the end of fiscal 2007. The reserve capacity is recorded in the Water Fund of the Village and is being amortized over the twenty years effective July 1, 2008. The unearned revenue balance for this reserved capacity at June 30, 2019 is \$200,000.

NOTE 13 - RESTRICTED ASSETS:

The restricted assets of \$105,989 in the Sewer Fund and \$471,230 in the Water Fund are for metal equipment replacement and debt service.

NOTE 14 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Village has purchased insurance coverage for each of these types of losses; however, the Village would be responsible should the limit of coverages be exceeded.

In the normal course of its operations, the Village often becomes a party to various claims and lawsuits. In the opinion of the Village's legal counsel, if any of these claims should result in an unfavorable resolution to the Village, the Village's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Village.

VILLAGE OF LEXINGTON
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - RESTRICTED NET POSITION:

The net position has been restricted in the entity-wide statement of net position at June 30, 2019 for the following purposes:

Governmental Activities:

General Fund -		
Metro Authority	\$	19,246
Major Street Fund		227,531
Local Street Fund		193,286
Municipal Street Fund		524,507
County Road Fund		259,608
		<u>1,204,932</u>
Total Restricted Net Position - Governmental Activities		1,224,178

Business-type Activities:

Sewer Fund -			
Meter Replacement	\$	83,538	
Debt Service		<u>22,451</u>	105,989
Water Fund -			
Meter Replacement		71,339	
Equipment Replacement		361,664	
Debt Service		<u>38,227</u>	471,230
Total Restricted Net Position - Business-type Activities			577,219
Total Restricted Net Position	\$		1,801,397

NOTE 16 - MAINTENANCE CONTRACT COMMITMENT:

During August 2018, the Village signed a contract for water tank maintenance in the amount of \$329,629, of which \$151,793 was paid to the contractor as of June 30, 2019, with a remaining balance on the contract of \$177,836 due in the future. The annual fees for fiscal years 2020-2022 are \$51,793 per year, with an additional \$22,457 due in fiscal year 2023.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE:

The allocation of the OPEB liabilities between the governmental and business-type activities was modified to more accurately report where the liability will be paid. The effect of modifying the allocation decreased net position at June 30, 2018 of governmental activities by \$52,895 and increased net position in the business-type activities by \$52,895 [\$37,190 for the Water Fund, \$(47,032) for the Sewer Fund, and \$62,737 for the Mobile Home Park Fund].

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 307,700	\$ 318,479	\$ 318,483	\$ 4
Intergovernmental	112,216	199,523	178,241	(21,282)
Charges for services	300,010	274,182	277,765	3,583
Fines and forfeits	5,000	7,221	7,121	(100)
Interest and rents	6,645	17,075	20,937	3,862
Other	245,429	289,447	289,456	9
Total Revenues	<u>977,000</u>	<u>1,105,927</u>	<u>1,092,003</u>	<u>(13,924)</u>
Expenditures:				
General government	162,928	182,328	189,507	(7,179)
Public safety	428,918	463,224	490,045	(26,821)
Public works	186,886	211,339	215,488	(4,149)
Health and welfare	37,196	29,496	28,754	742
Community and economic development	11,900	46,525	61,532	(15,007)
Recreation and culture	62,246	66,460	68,098	(1,638)
Other	52,546	144,850	144,869	(19)
Total Expenditures	<u>942,620</u>	<u>1,144,222</u>	<u>1,198,293</u>	<u>(54,071)</u>
Revenues over (under) expenditures	<u>34,380</u>	<u>(38,295)</u>	<u>(106,290)</u>	<u>(67,995)</u>
Other Financing Sources:				
Transfers in	32,000	24,000	24,000	-
Gain on sale of asset	-	98,206	98,206	-
Insurance proceeds	-	21,474	21,474	-
Total Other Financing Sources	<u>32,000</u>	<u>143,680</u>	<u>143,680</u>	<u>-</u>
Net Change in Fund Balance	<u>66,380</u>	<u>105,385</u>	<u>37,390</u>	<u>(67,995)</u>
Fund Balance at beginning of year	<u>306,830</u>	<u>306,830</u>	<u>306,830</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 373,210</u>	<u>\$ 412,215</u>	<u>\$ 344,220</u>	<u>\$(67,995)</u>

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - MAJOR STREET FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 56,572	\$ 73,522	\$ 87,558	\$ 14,036
Expenditures:				
Public Works -				
Salaries	10,116	10,091	9,282	809
Fringe benefits	5,019	5,057	4,908	149
Administrative fees	4,216	2,255	6,006	(3,751)
Supplies	3,900	2,360	2,545	(185)
Equipment rental	18,400	18,400	17,051	1,349
Repairs and maintenance	500	1,800	1,732	68
Purchased services	-	2,400	2,339	61
Other	39,620	3,200	800	2,400
Total Expenditures	<u>81,771</u>	<u>45,563</u>	<u>44,663</u>	<u>900</u>
Revenues over (under) expenditures	(25,199)	27,959	42,895	14,936
Other Financing Sources (Uses):				
Transfers in	32,572	39,066	39,066	-
Transfers out	(20,166)	(20,166)	(19,887)	279
Total Other Financing Sources	<u>12,406</u>	<u>18,900</u>	<u>19,179</u>	<u>279</u>
Net Change in Fund Balance	(12,793)	46,859	62,074	15,215
Fund Balance at beginning of year	<u>165,457</u>	<u>165,457</u>	<u>165,457</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 152,664</u>	<u>\$ 212,316</u>	<u>\$ 227,531</u>	<u>\$ 15,215</u>

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - LOCAL STREET FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 33,976	\$ 40,000	\$ 43,835	\$ 3,835
Expenditures:				
Public Works -				
Salaries	24,285	19,528	20,327	(799)
Fringe benefits	11,096	11,073	10,700	373
Administrative fees	10,047	5,286	3,690	1,596
Supplies	6,500	5,000	5,107	(107)
Equipment rental	44,500	36,600	33,135	3,465
Repairs and maintenance	500	90	87	3
Purchase of services	800	3,000	2,991	9
Other	3,000	-	-	-
Capital Outlay	<u>123,430</u>	<u>133,454</u>	<u>125,412</u>	<u>8,042</u>
Total Expenditures	<u>224,158</u>	<u>214,031</u>	<u>201,449</u>	<u>12,582</u>
Revenues under expenditures	(190,182)	(174,031)	(157,614)	16,417
Other Financing Sources:				
Transfers in	<u>105,633</u>	<u>58,351</u>	<u>58,077</u>	<u>(274)</u>
Net Change in Fund Balance	(84,549)	(115,680)	(99,537)	16,143
Fund Balance at beginning of year	<u>292,823</u>	<u>292,823</u>	<u>292,823</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 208,274</u>	<u>\$ 177,143</u>	<u>\$ 193,286</u>	<u>\$ 16,143</u>

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - MUNICIPAL STREET FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 124,000	\$ 127,425	\$ 127,426	\$ 1
Charges for services	14,200	14,800	16,138	1,338
Total Revenues	<u>138,200</u>	<u>142,225</u>	<u>143,564</u>	<u>1,339</u>
Expenditures:				
Public works -				
Administrative fees	6,027	4,137	4,426	(289)
Supplies	3,200	700	694	6
Capital outlay	<u>137,000</u>	<u>46,105</u>	<u>35,661</u>	<u>10,444</u>
Total Expenditures	<u>146,227</u>	<u>50,942</u>	<u>40,781</u>	<u>10,161</u>
Revenues over (under) expenditures	(8,027)	91,283	102,783	11,500
Other Financing Sources (Uses):				
Transfers in	11,134	185	187	2
Transfers out	(45,000)	(45,000)	(45,000)	-
Total Other Financing Uses	<u>(33,866)</u>	<u>(44,815)</u>	<u>(44,813)</u>	<u>2</u>
Net Change in Fund Balance	(41,893)	46,468	57,970	11,502
Fund Balance at beginning of year	<u>466,537</u>	<u>466,537</u>	<u>466,537</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 424,644</u>	<u>\$ 513,005</u>	<u>\$ 524,507</u>	<u>\$ 11,502</u>

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - COUNTY ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
County road millage	\$ 81,000	\$ 84,306	\$ 84,306	\$ -
Expenditures:				
Public works -				
Administrative fees	2,939	2,032	2,363	(331)
Equipment rental	-	-	485	(485)
Traffic and street lights	22,500	22,500	23,909	(1,409)
Other	1,000	-	-	-
Total Expenditures	<u>26,439</u>	<u>24,532</u>	<u>26,757</u>	<u>(2,225)</u>
Revenues over expenditures	54,561	59,774	57,549	(2,225)
Other Financing Sources:				
Transfers in	<u>5,429</u>	<u>5,198</u>	<u>5,193</u>	<u>(5)</u>
Net Change in Fund Balance	59,990	64,972	62,742	(2,230)
Fund Balance at beginning of year	<u>196,866</u>	<u>196,866</u>	<u>196,866</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 256,856</u>	<u>\$ 261,838</u>	<u>\$ 259,608</u>	<u><u>\$ (2,230)</u></u>

VILLAGE OF LEXINGTON, MICHIGAN

**EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PLAN FISCAL YEARS**

	For the Year Ended December 31,				
	2018	2017	2016	2015	2014
Total Pension Liability:					
Service Cost	\$ 27,227	\$ 24,583	\$ 24,982	\$ 34,143	\$ 38,481
Interest	213,759	207,858	200,310	191,430	183,478
Change in assumptions	-	-	-	135,873	-
Differences between expected and actual experience	70,416	11,320	27,174	(34,513)	-
Benefit payments, including refunds	(171,324)	(171,324)	(144,521)	(133,157)	(113,632)
Change in total pension liability	140,078	72,437	107,945	193,776	108,327
Total pension liability, beginning of year	<u>2,744,033</u>	<u>2,671,596</u>	<u>2,563,651</u>	<u>2,369,875</u>	<u>2,261,548</u>
Total pension liability, end of year	<u>\$ 2,884,111</u>	<u>\$ 2,744,033</u>	<u>\$ 2,671,596</u>	<u>\$ 2,563,651</u>	<u>\$ 2,369,875</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 79,050	\$ 72,108	\$ 57,696	\$ 48,808	\$ 50,947
Contributions - Member	12,090	10,887	14,285	16,305	18,868
Net investment income (loss)	(66,864)	212,547	173,008	(24,042)	99,790
Benefit payments, including refunds	(171,324)	(171,324)	(144,521)	(133,157)	(113,632)
Administrative expenses	(3,365)	(3,372)	(3,417)	(3,534)	(3,664)
Net change in plan fiduciary net position	(150,413)	120,846	97,051	(95,620)	52,309
Plan fiduciary net position, beginning of year	<u>1,759,727</u>	<u>1,638,881</u>	<u>1,541,830</u>	<u>1,637,450</u>	<u>1,585,141</u>
Plan fiduciary net position, end of year	<u>\$ 1,609,314</u>	<u>\$ 1,759,727</u>	<u>\$ 1,638,881</u>	<u>\$ 1,541,830</u>	<u>\$ 1,637,450</u>
Village's Net Pension Liability - Ending	<u>\$ 1,274,797</u>	<u>\$ 984,306</u>	<u>\$ 1,032,715</u>	<u>\$ 1,021,821</u>	<u>\$ 732,425</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability					
	55.80%	64.13%	61.34%	60.14%	69.09%
Covered Employee Payroll	\$ 241,799	\$ 217,742	\$ 211,878	\$ 306,231	\$ 345,123
Village's Net Pension Liability as a Percentage of Covered Employee Payroll					
	527.2%	452.1%	487.4%	333.7%	212.2%

GASB Statement No. 68 was implemented for fiscal year ended June 30, 2015. These schedules are being built prospectively. Ultimately, 10 years of data will be presented.

VILLAGE OF LEXINGTON, MICHIGAN

**EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	Annual Determined Contributions	Contributions in Relation to the Annual Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 80,916	\$ 80,916	\$ -	\$ 239,843	33.74%
2018	77,184	77,184	-	231,445	33.35%
2017	67,032	67,032	-	242,345	27.66%
2016	50,238	50,238	-	313,380	16.03%
2015	52,272	52,272	-	350,899	14.90%
2014	47,672	47,672	-	345,123	13.81%
2013	56,854	56,854	-	381,934	14.89%
2012	56,430	56,430	-	486,492	11.60%
2011	61,633	61,633	-	475,249	12.97%
2010	58,328	58,328	-	493,911	11.81%

Valuation Date: December 31, two years prior to the end of the fiscal year

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market value
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Replacement Index up to age 70, then 100%
Mortality	RP-2014 Healthy Annuitant Mortality Table with 50% Male and 50% Female Blend

The plan is considered closed to new-hires.

VILLAGE OF LEXINGTON, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS
(unaudited)**

2019

Annual money-weighted rate of return, net of investment expenses	33.13%
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GASB Statement No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively. Ultimately, 10 years will be presented.

VILLAGE OF LEXINGTON, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
PLAN FISCAL YEAR**

	2019	2018
Total OPEB Liability:		
Service Cost	\$ 114,888	\$ 106,752
Interest	67,450	67,881
Differences between expected and actual experience	80,296	(31,683)
Benefit payments, including refunds	(54,450)	(58,398)
Change in OPEB liability	208,184	84,552
OPEB liability, beginning of year	<u>2,175,738</u>	<u>2,091,186</u>
OPEB liability, end of year	<u>\$ 2,383,922</u>	<u>\$ 2,175,738</u>
Plan Fiduciary Net Position:		
Contributions - Employer	\$ 152,657	\$ 58,398
Net investment income	2,391	-
Benefit payments, including refunds	(54,450)	(58,398)
Administrative expenses	(21)	-
Net change in plan fiduciary net position	100,577	-
Plan fiduciary net position, beginning of year	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u>\$ 100,577</u>	<u>\$ -</u>
Township's Net OPEB Liability - Ending	<u>\$ 2,283,345</u>	<u>\$ 2,175,738</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	4.22%	0.0%
Covered Employee Payroll	\$ 536,339	\$ 525,823
Village's OPEB Liability as a Percentage of Covered Employee Payroll	444.5%	413.8%

GASB Statement No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively. Ultimately, 10 years will be presented.

VILLAGE OF LEXINGTON, MICHIGAN

RETIREE HEALTH BENEFITS SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS

	Annual Determined Contribution	Contributions in Relation to the Annual Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 209,240	\$ 152,657	\$ 56,583	\$ 536,339	28.46%
2018	195,433	58,398	137,035	525,823	11.11%

Valuation Date: June 30, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Simplified Actuarial Cost Method Entry-Age Normal

Amortization Method Level Percent of Payroll

Remaining Amortization Period 30 years, Open

Wage Inflation 2.00%

Salary Increases 2.00%

Investment Rate of Return 2.79%

Years of Service 25 years of continuous service, or 30 years of non-continuous service with the Village

Mortality National Center for Health Statistics 2014 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 66 No. 7 dated August 14, 2017)

Health Care Trend Rates Initial trend of 4.90% in 2020, fluctuating between 4.40% and 4.90% before decreasing to 4.70% in 2025 and for years thereafter

GASB Statement No. 75 was implemented for fiscal year ended June 30, 2018 and does not require retroactive implementation.

SUPPLEMENTARY INFORMATION

VILLAGE OF LEXINGTON, MICHIGAN

**DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 307,700	\$ 318,479	\$ 318,483	\$ 4
Intergovernmental -				
State	112,216	199,523	178,241	(21,282)
Charges for services	300,010	274,182	277,765	3,583
Fines and forfeits	5,000	7,221	7,121	(100)
Interest and rents	6,645	17,075	20,937	3,862
Other	245,429	289,447	289,456	9
	<u>977,000</u>	<u>1,105,927</u>	<u>1,092,003</u>	<u>(13,924)</u>
Expenditures:				
General Government -				
Village council	8,145	7,964	6,955	1,009
Village manager	80,824	78,868	78,684	184
Village clerk	71,369	77,237	78,729	(1,492)
Administrative services	158,281	171,719	175,973	(4,254)
	<u>318,619</u>	<u>335,788</u>	<u>340,341</u>	<u>(4,553)</u>
Less: Reimbursement from other funds	<u>(155,691)</u>	<u>(153,460)</u>	<u>(150,834)</u>	<u>(2,626)</u>
	<u>162,928</u>	<u>182,328</u>	<u>189,507</u>	<u>(7,179)</u>
Public Safety -				
Police department	298,718	343,671	372,563	(28,892)
Fire department	130,200	119,553	117,482	2,071
Total Public Safety	<u>428,918</u>	<u>463,224</u>	<u>490,045</u>	<u>(26,821)</u>
Public Works -				
Department of public works	77,886	102,339	104,745	(2,406)
Rubbish collection/disposal	<u>109,000</u>	<u>109,000</u>	<u>110,743</u>	<u>(1,743)</u>
Total Public Works	<u>186,886</u>	<u>211,339</u>	<u>215,488</u>	<u>(4,149)</u>
Health and Welfare -				
Environment	13,700	6,000	5,220	780
Ambulance	<u>23,496</u>	<u>23,496</u>	<u>23,534</u>	<u>(38)</u>
Total Health and Welfare	<u>37,196</u>	<u>29,496</u>	<u>28,754</u>	<u>742</u>
Community and Economic Development -				
Planning	11,900	30,055	45,062	(15,007)
CDBG grant	<u>-</u>	<u>16,470</u>	<u>16,470</u>	<u>-</u>
Total Community and Economic Development	<u>11,900</u>	<u>46,525</u>	<u>61,532</u>	<u>(15,007)</u>
Recreation and Culture -				
Parks and recreation	60,696	59,184	60,822	(1,638)
Community center	<u>1,550</u>	<u>7,276</u>	<u>7,276</u>	<u>-</u>
Total Recreation and Culture	<u>62,246</u>	<u>66,460</u>	<u>68,098</u>	<u>(1,638)</u>

Continued

VILLAGE OF LEXINGTON, MICHIGAN

**DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
				Positive (Negative)
Other -				
Retiree health insurance	\$ 52,546	\$ 144,850	\$ 144,869	\$ (19)
Total Expenditures	<u>942,620</u>	<u>1,144,222</u>	<u>1,198,293</u>	<u>(54,071)</u>
Revenues under expenditures	<u>34,380</u>	<u>(38,295)</u>	<u>(106,290)</u>	<u>(67,995)</u>
Other Financing Sources:				
Transfers in	32,000	24,000	24,000	-
Gain on sale of asset	-	98,206	98,206	-
Insurance proceeds	-	21,474	21,474	-
Total Other Financing Sources	<u>32,000</u>	<u>143,680</u>	<u>143,680</u>	<u>-</u>
Net Change in Fund Balance	66,380	105,385	37,390	(67,995)
Fund Balance at beginning of year	<u>306,830</u>	<u>306,830</u>	<u>306,830</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 373,210</u>	<u>\$ 412,215</u>	<u>\$ 344,220</u>	<u>\$ (67,995)</u>

Concluded

VILLAGE OF LEXINGTON, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Cemetery Fund	Capital Project Fund	Total
Assets:			
Cash and cash equivalents	\$ 48,643	\$ 1,029	\$ 49,672
Prepaid expenditures	<u>1,151</u>	<u>-</u>	<u>1,151</u>
 Total Assets	 <u>\$ 49,794</u>	 <u>\$ 1,029</u>	 <u>\$ 50,823</u>
 Liabilities:			
Accounts payable	\$ 1,239	\$ 1,029	\$ 2,268
Accrued liabilities	<u>68</u>	<u>-</u>	<u>68</u>
 Total Liabilities	 <u>1,307</u>	 <u>1,029</u>	 <u>2,336</u>
 Fund Balances:			
Nonspendable for -			
Prepays	1,151	-	1,151
Committed for -			
Cemetery	<u>47,336</u>	<u>-</u>	<u>47,336</u>
 Total Fund Balances	 <u>48,487</u>	 <u>-</u>	 <u>48,487</u>
 Total Liabilities and Fund Balances	 <u>\$ 49,794</u>	 <u>\$ 1,029</u>	 <u>\$ 50,823</u>

VILLAGE OF LEXINGTON, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Cemetery Fund	Capital Project Fund	Total
Revenues:			
Taxes	\$ 25,458	\$ -	\$ 25,458
Charges for services	19,159	-	19,159
Interest	863	-	863
Other	2,860	-	2,860
Total Revenues	<u>48,340</u>	<u>-</u>	<u>48,340</u>
Expenditures:			
Public Works	<u>38,913</u>	<u>14,396</u>	<u>53,309</u>
Revenues over (under) expenditures	<u>9,427</u>	<u>(14,396)</u>	<u>(4,969)</u>
Other Financing Sources (Uses):			
Transfers in	9,827	-	9,827
Transfers out	(8,000)	-	(8,000)
Total Other Financing Sources (Uses)	<u>1,827</u>	<u>-</u>	<u>1,827</u>
Net Change in Fund Balances	11,254	(14,396)	(3,142)
Fund Balances at beginning of year	<u>37,233</u>	<u>14,396</u>	<u>51,629</u>
Fund Balances at end of year	<u>\$ 48,487</u>	<u>\$ -</u>	<u>\$ 48,487</u>

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CEMETERY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 25,000	\$ 25,457	\$ 25,458	\$ 1
Charges for services	7,000	19,159	19,159	-
Interest	500	732	863	131
Other	-	1,760	2,860	1,100
Total Revenues	<u>32,500</u>	<u>47,108</u>	<u>48,340</u>	<u>1,232</u>
Expenditures:				
Public works -				
Salaries	6,262	8,900	9,381	(481)
Fringe benefits	3,154	3,954	3,884	70
Administrative fees	4,265	2,550	4,002	(1,452)
Insurance	600	104	50	54
Supplies	500	1,388	2,198	(810)
Equipment rental	12,810	12,810	11,853	957
Purchase of services	1,800	3,300	3,258	42
Other	3,900	4,014	4,287	(273)
Total Expenditures	<u>33,291</u>	<u>37,020</u>	<u>38,913</u>	<u>(1,893)</u>
Revenues over (under) expenditures	(791)	10,088	9,427	(661)
Other Financing Sources (Uses):				
Transfers in	8,553	9,824	9,827	3
Transfers out	(8,000)	(8,000)	(8,000)	-
Total Other Financing Sources (Uses)	<u>553</u>	<u>1,824</u>	<u>1,827</u>	<u>3</u>
Net Change in Fund Balance	(238)	11,912	11,254	(658)
Fund Balance at beginning of year	<u>37,233</u>	<u>37,233</u>	<u>37,233</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 36,995</u>	<u>\$ 49,145</u>	<u>\$ 48,487</u>	<u>\$(658)</u>

COMPONENT UNIT

VILLAGE OF LEXINGTON, MICHIGAN

**BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2019**

Assets:

Cash and cash equivalents	\$	93,989
Accounts receivable		<u>240</u>
Total Assets	\$	<u>94,229</u>

Liabilities:

Accounts payable	\$	5,946
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Fund Balance:

Unrestricted		<u>88,283</u>
Total Liabilities and Fund Balance	\$	<u>94,229</u>

VILLAGE OF LEXINGTON, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2019

Fund Balance	\$ 88,283
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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 financial resources,
and therefore, are not reported in the fund.

Capital assets	422,415
Accumulated depreciation	<u>(96,685)</u>
Net Position of governmental activities	<u><u>\$ 414,013</u></u>

VILLAGE OF LEXINGTON, MICHIGAN

**DOWNTOWN DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Amended Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 112,745	\$ 112,745	\$ 122,692	\$ 9,947
Other	-	-	936	936
	112,745	112,745	123,628	10,883
Expenditures:				
Public Works	89,300	89,300	94,887	(5,587)
Net Change in Fund Balance	23,445	23,445	28,741	5,296
Fund Balance at beginning of year	59,542	59,542	59,542	-
Fund Balance at end of year	\$ 82,987	\$ 82,987	\$ 88,283	\$ 5,296

VILLAGE OF LEXINGTON, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balance	\$ 28,741
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	14,004
Depreciation	(24,659)
Loss on disposal	<u>(1,875)</u>
Change in net position of governmental activities	<u>\$ 16,211</u>