

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED JUNE 30, 2017



VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 Village'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 Village'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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension system 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. Such 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. The 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

November 7, 2017

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, 2017. 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 and liabilities. 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 \$8,255,438, with governmental activities comprising \$1,990,656 and business-type activities making up \$6,264,782 of the total net position at June 30, 2017. This is a net increase of \$21,012 over 2016. In a condensed format, the table below shows the information presented on the statements of net position as of the June 30, 2017 and 2016:

In Thousands

| | Governmental Activities | | Business-type Activities | |
|---------------------------------------|-------------------------|-----------------|--------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | |
| Other assets | \$ 1,247 | \$ 1,107 | \$ 2,209 | \$ 2,187 |
| Restricted assets | - | - | 290 | 243 |
| Capital assets | 1,847 | 1,904 | 7,378 | 7,548 |
| Total assets | <u>3,094</u> | <u>3,011</u> | <u>9,877</u> | <u>9,978</u> |
| Deferred Outflows of Resources | <u>82</u> | <u>130</u> | <u>79</u> | <u>127</u> |
| Liabilities | | | | |
| Other liabilities | 28 | 39 | 155 | 149 |
| Long-term liabilities | 1,151 | 1,065 | 3,530 | 3,735 |
| Total liabilities | <u>1,179</u> | <u>1,104</u> | <u>3,685</u> | <u>3,884</u> |
| Deferred Inflows of Resources | <u>6</u> | <u>12</u> | <u>6</u> | <u>11</u> |
| Net Position | | | | |
| Net investment in capital assets | 1,831 | 1,865 | 5,223 | 5,189 |
| Restricted | 815 | 784 | 453 | 391 |
| Unrestricted (Deficit) | (655) | (624) | 589 | 630 |
| Total net position | <u>\$ 1,991</u> | <u>\$ 2,025</u> | <u>\$ 6,265</u> | <u>\$ 6,210</u> |

The Village’s governmental activities experienced a decrease in net position of \$34,143 for the year ended June 30, 2017. The Village’s business-type activities experienced an increase in net position of \$55,155 for the year ended June 30, 2017.

The following table shows the changes in net position for 2017 and 2016:

In Thousands

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--|--------------------------------|---------------|---------------------------------|--------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenue | | | | |
| Program revenue: | | | | |
| Charges for services | \$ 364 | \$ 402 | \$ 1,753 | \$ 1,739 |
| Operating grant and contributions | 99 | 99 | - | - |
| Capital grants and contributions | 21 | 15 | 47 | 47 |
| General revenue: | | | | |
| Property taxes | 526 | 519 | - | - |
| Unrestricted grants | 115 | 92 | - | - |
| Unrestricted investment income | 2 | 2 | 1 | - |
| Land use fee (in lieu of property taxes) | 172 | 189 | (172) | (189) |
| Total Revenue | <u>1,299</u> | <u>1,318</u> | <u>1,629</u> | <u>1,597</u> |
| Program Expenses | | | | |
| General government | 312 | 279 | - | - |
| Public safety | 503 | 525 | - | - |
| Public works | 432 | 482 | - | - |
| Health and welfare | 31 | 26 | - | - |
| Community and economic development | 9 | 9 | - | - |
| Recreation and cultural | 76 | 88 | - | - |
| Other activities | 54 | 61 | - | - |
| Interest on long-term debt | 1 | 1 | - | - |
| Water, sewer, and mobile home park | - | - | 1,489 | 1,443 |
| Total Program Expenses | <u>1,418</u> | <u>1,471</u> | <u>1,489</u> | <u>1,443</u> |
| Revenue over (under) expenses | (119) | (153) | 140 | 154 |
| Transfers | <u>85</u> | <u>61</u> | <u>(85)</u> | <u>(61)</u> |
| Changes in net position | <u>\$(34)</u> | <u>\$(92)</u> | <u>\$55</u> | <u>\$93</u> |

Governmental Activities

Revenues for governmental activities including transfers totaled \$1,384,150 in 2017, representing an increase of \$4,802 from the prior year. Of this amount, \$526,360 was received from taxes, which was an increase of \$7,025 from the prior year. The next largest revenue source was charges for services in the amount of \$363,635, a decrease of \$38,445 from 2016.

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 \$1,629,252 and expenses including transfers were \$1,574,097, for an increase in net position of \$55,155.

FINANCIAL ANALYSIS OF MAJOR VILLAGE FUNDS

Governmental Funds

The General Fund completed the year with a fund balance of \$242,830, with \$45,494 classified as nonspendable for prepaid expenditures, \$11,392 restricted for the Metro Authority, and the remaining amount of \$185,944 unassigned, which was a result of revenues over expenditures of \$29,763.

For the 2016 fiscal year, the General Fund ended with a fund balance of \$213,067, with \$52,574 classified as nonspendable for prepaids, \$9,499 restricted for the Metro Authority, and the remaining amount of \$152,994 unassigned, which was the result of revenues over expenditures of \$4,145.

The Village's other major governmental funds had the following changes in net position for the year ended June 30, 2017:

- The Major Street Fund had revenues in excess of expenditures of \$44,961.
- The Local Street Fund had revenues in excess of expenditures of \$58,971.
- The Municipal Street Fund had revenues in excess of expenditures of \$16,223.
- The County Road Fund had expenditures in excess of revenues of \$36.

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 a decrease to net change in fund balance from \$144 to \$13,896. The increase was primarily due to an increase in the transfers in budget category. The actual result was better than anticipated, with the net change in fund balance of \$29,763 or \$15,867 higher than the final budgeted balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village had \$9,224,432 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2017. 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 \$312,821 of capital assets, \$107,969 in the governmental activities, and \$204,852 in the business-type activities. Of the governmental activities, \$92,865 was spent on a backhoe and \$15,104 on various machinery and equipment. Most of the business-type activities were a result of \$24,726 for mobile home park slab improvements and \$180,126 in water main upgrades and SCADA system in progress.

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 \$2,170,121 in bonds and notes outstanding versus \$2,397,305 last year, a decrease of \$227,184.

Additional information on the Village's long-term debt can be found in Note 8 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 has applied for a Special Legislative Grant for the Master Plan project. This grant will move the Village toward Redevelopment Ready Certification, aligning the harbor redevelopment program, downtown development program, and a 5-year parks and recreation plan with the community master plan and preparation of a capital improvement program to manage Village assets. These will include a robust community engagement process.

Two major projects scheduled for completion during the 2018 fiscal year are the Water Tower Renovation and Phase II of the Water Main Replacement. The Water Tower will be stripped and resurfaced on the interior and exterior. Phase two of the Water Main is to replace 1200L/ft. of 6" cast iron water main with new 8" C900 water main.

The Village of Lexington is committed to maintaining and supporting local economic development through significant investment in public services, municipal infrastructure, and strategic infill of residential and commercial properties. The results of the Village's continuous investment in the community are evidenced by multi-million-dollar private investments in commercial establishments, most notably, Harborview Plaza and the Cadillac House, as well as multiple new residential homes under construction.

Provided all of the public services found in a large city, Village residents enjoy an exemplary quality of life made possible by decades of sound fiscal management. During fiscal year 2017, the General Fund posted an increase in fund balance of \$29,763. The June 30, 2017 unassigned fund balance for the General Fund was \$185,944. The Village's elected and appointed officials considered many factors when setting the 2018 budget, including tax rates and fees that will be charged for the Village's activities. The revenue from property taxes was budgeted at \$348,945 and State revenue sharing was budgeted at \$93,438.

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, 2017**

| | Primary Government | | | Component Unit (DDA) |
|--|----------------------------|-----------------------------|---------------------|-------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,088,690 | \$ 1,431,104 | \$ 2,519,794 | \$ 82,610 |
| Investments | - | 250,000 | 250,000 | - |
| Receivables | 109,891 | 120,601 | 230,492 | - |
| Inventory held for sale | - | 34,286 | 34,286 | - |
| Prepaid expenditures | 48,851 | 33,329 | 82,180 | 350 |
| Contracts receivable- reserved capacity | - | 338,958 | 338,958 | - |
| Restricted Assets - | | | | |
| Cash and cash equivalents | - | 290,380 | 290,380 | - |
| Capital assets (net of accumulated depreciation) | | | | |
| Assets not being depreciated | 320,896 | 30,358 | 351,254 | - |
| Assets being depreciated | 1,525,735 | 7,347,443 | 8,873,178 | 353,975 |
| Total Assets | <u>3,094,063</u> | <u>9,876,459</u> | <u>12,970,522</u> | <u>436,935</u> |
| Deferred Outflows of Resources: | | | | |
| Related to the pension plan | <u>81,525</u> | <u>78,556</u> | <u>160,081</u> | <u>-</u> |
| Liabilities: | | | | |
| Payables and accrued liabilities | 14,819 | 36,348 | 51,167 | 1,250 |
| Accrued interest | - | 13,752 | 13,752 | - |
| Advances and deposits | 12,750 | 31,156 | 43,906 | - |
| Unearned revenues | - | 73,129 | 73,129 | - |
| Non-current liabilities | | | | |
| Accrued vacation and sick pay | 36,047 | 24,900 | 60,947 | - |
| Net OPEB obligation | 587,873 | 295,020 | 882,893 | - |
| Net pension liability | 511,928 | 520,787 | 1,032,715 | - |
| Unearned revenues | - | 535,031 | 535,031 | - |
| Due within one year | 15,533 | 204,451 | 219,984 | - |
| Due in more than one year | - | 1,950,137 | 1,950,137 | - |
| Total Liabilities | <u>1,178,950</u> | <u>3,684,711</u> | <u>4,863,661</u> | <u>1,250</u> |
| Deferred Inflows of Resources: | | | | |
| Related to the pension plan | <u>5,982</u> | <u>5,522</u> | <u>11,504</u> | <u>-</u> |
| Net Position: | | | | |
| Net investment in capital assets | 1,831,098 | 5,223,213 | 7,054,311 | 353,975 |
| Restricted - | | | | |
| Metro Authority | 11,392 | - | 11,392 | - |
| Streets | 803,308 | - | 803,308 | - |
| Meter replacement | - | 162,798 | 162,798 | - |
| Equipment replacement | - | 290,380 | 290,380 | - |
| Unrestricted (Deficit) | <u>(655,142)</u> | <u>588,391</u> | <u>(66,751)</u> | <u>81,710</u> |
| Total Net Position | <u>\$ 1,990,656</u> | <u>\$ 6,264,782</u> | <u>\$ 8,255,438</u> | <u>\$ 435,685</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, 2017**

| 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 | \$ 312,366 | \$ 46,415 | \$ - | \$ - |
| Public Safety | 503,103 | 102,635 | 3,184 | 990 |
| Public Works | 432,489 | 212,265 | 95,891 | 20,000 |
| Health and Welfare | 30,524 | - | - | - |
| Community and Economic Development | 8,563 | - | - | - |
| Recreation and Culture | 76,337 | 2,320 | - | - |
| Other activities | 54,087 | - | - | - |
| Interest on long-term debt | 824 | - | - | - |
| Total governmental activities | <u>1,418,293</u> | <u>363,635</u> | <u>99,075</u> | <u>20,990</u> |
| Business-type Activities: | | | | |
| Sewer | 368,337 | 342,532 | - | - |
| Water | 745,412 | 675,785 | - | 46,908 |
| Mobile Home Park | 374,875 | 735,040 | - | - |
| Total business type activities | <u>1,488,624</u> | <u>1,753,357</u> | <u>-</u> | <u>46,908</u> |
| Total Primary Government | <u>\$ 2,906,917</u> | <u>\$ 2,116,992</u> | <u>\$ 99,075</u> | <u>\$ 67,898</u> |
| Component Units | | | | |
| Downtown Development Authority | <u>\$ 106,968</u> | <u>\$ -</u> | <u>\$ 19,925</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

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 | |
| \$(265,951) | \$ - | \$(265,951) | \$ - |
| (396,294) | - | (396,294) | - |
| (104,333) | - | (104,333) | - |
| (30,524) | - | (30,524) | - |
| (8,563) | - | (8,563) | - |
| (74,017) | - | (74,017) | - |
| (54,087) | - | (54,087) | - |
| (824) | - | (824) | - |
| <u>(934,593)</u> | <u>-</u> | <u>(934,593)</u> | <u>-</u> |
| - | (25,805) | (25,805) | - |
| - | (22,719) | (22,719) | - |
| - | 360,165 | 360,165 | - |
| <u>-</u> | <u>311,641</u> | <u>311,641</u> | <u>-</u> |
| <u>(934,593)</u> | <u>311,641</u> | <u>(622,952)</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(87,043)</u> |
| 526,360 | - | 526,360 | 110,420 |
| 114,407 | - | 114,407 | - |
| 1,870 | 1,327 | 3,197 | - |
| 172,340 | (172,340) | - | - |
| 85,473 | (85,473) | - | - |
| <u>900,450</u> | <u>(256,486)</u> | <u>643,964</u> | <u>110,420</u> |
| (34,143) | 55,155 | 21,012 | 23,377 |
| <u>2,024,799</u> | <u>6,209,627</u> | <u>8,234,426</u> | <u>412,308</u> |
| <u>\$ 1,990,656</u> | <u>\$ 6,264,782</u> | <u>\$ 8,255,438</u> | <u>\$ 435,685</u> |

VILLAGE OF LEXINGTON, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | General | Major Street | Local Street | Municipal Street |
|---|------------|-----------------|-----------------|---------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 158,082 | \$ 92,903 | \$ 232,230 | \$ 352,964 |
| Receivables - | | | | |
| Utilities | 12,194 | - | - | - |
| Accounts | 20,970 | - | - | - |
| Due from other governmental units | 30,492 | 17,992 | 8,243 | 20,000 |
| Prepaid expenditures | 45,494 | 737 | 1,316 | 82 |
| Total Assets | \$ 267,232 | \$ 111,632 | \$ 241,789 | \$ 373,046 |
| Liabilities: | | | | |
| Accounts payable | \$ 3,366 | \$ 944 | \$ 71 | \$ - |
| Accrued liabilities | 8,286 | 458 | 456 | - |
| Advances and deposits | 12,750 | - | - | - |
| Total Liabilities | 24,402 | 1,402 | 527 | - |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | 20,000 |
| Fund Balances: | | | | |
| Nonspendable for: | | | | |
| Prepays | 45,494 | 737 | 1,316 | 82 |
| Restricted for: | | | | |
| Streets | - | 109,493 | 239,946 | 352,964 |
| Metro Authority | 11,392 | - | - | - |
| Committed for: | | | | |
| Cemetery | - | - | - | - |
| Assigned for: | | | | |
| Capital Items | - | - | - | - |
| Unassigned: | | | | |
| General Fund | 185,944 | - | - | - |
| Total Fund Balances | 242,830 | 110,230 | 241,262 | 353,046 |
| Total Liabilities and Fund Balances | \$ 267,232 | \$ 111,632 | \$ 241,789 | \$ 373,046 |

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

| <u>County Road</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------|---|---|
| \$ 192,034 | \$ 60,477 | \$ 1,088,690 |
| - | - | 12,194 |
| - | - | 20,970 |
| - | - | 76,727 |
| - | 1,222 | 48,851 |
| <u>\$ 192,034</u> | <u>\$ 61,699</u> | <u>\$ 1,247,432</u> |
| | | |
| \$ 921 | \$ - | \$ 5,302 |
| - | 317 | 9,517 |
| - | - | 12,750 |
| <u>921</u> | <u>317</u> | <u>27,569</u> |
| | | |
| - | - | 20,000 |
| | | |
| - | 1,222 | 48,851 |
| 191,113 | - | 893,516 |
| - | - | 11,392 |
| - | 35,056 | 35,056 |
| - | 25,104 | 25,104 |
| - | - | 185,944 |
| <u>191,113</u> | <u>61,382</u> | <u>1,199,863</u> |
| | | |
| <u>\$ 192,034</u> | <u>\$ 61,699</u> | <u>\$ 1,247,432</u> |

VILLAGE OF LEXINGTON, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2017

| | | | |
|--|----|----------|------------------|
| Fund Balances - total governmental funds | | \$ | 1,199,863 |
| 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 | | | 3,979,445 |
| Accumulated depreciation | | (| 2,132,814) |
| Grants and other receivables not available to pay current period expenditures and, therefore, are not reported as revenues in the fund financial statements. | | | |
| | | | 20,000 |
| Certain pension contributions and changes in pension 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 | \$ | 81,525 | |
| Deferred inflows of resources | (| 5,982) | 75,543 |
| Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore, are not reported in the funds. | | | |
| Notes payable | (| 15,533) | |
| Net pension liability | (| 511,928) | |
| Net OPEB obligation | (| 587,873) | |
| Accrued compensated absences | (| 36,047) | (1,151,381) |
| Net Position of governmental activities | | \$ | <u>1,990,656</u> |

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, 2017**

| | General | Major Street | Local Street | Municipal Street |
|--|------------|-----------------|-----------------|---------------------|
| Revenues: | | | | |
| Taxes | \$ 302,633 | \$ - | \$ - | \$ 121,044 |
| Intergovernmental | 107,417 | 63,093 | 28,905 | - |
| Charges for services | 316,231 | - | - | 2,872 |
| Fines and forfeits | 2,766 | - | - | - |
| Interest and rent | 9,450 | - | - | - |
| Other | 208,533 | - | - | - |
| Total Revenues | 947,030 | 63,093 | 28,905 | 123,916 |
| Expenditures: | | | | |
| Current - | | | | |
| General Government | 173,280 | - | - | - |
| Public Safety | 420,552 | - | - | - |
| Public Works | 192,778 | 42,081 | 67,997 | 75,518 |
| Health and Welfare | 30,524 | - | - | - |
| Community and Economic Development | 8,563 | - | - | - |
| Recreation and Cultural | 65,483 | - | - | - |
| Other | 54,087 | - | - | - |
| Debt Service | | | | |
| Principal | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - |
| Total Expenditures | 945,267 | 42,081 | 67,997 | 75,518 |
| Revenues over (under) expenditures | 1,763 | 21,012 | (39,092) | 48,398 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 28,000 | 40,449 | 98,063 | 12,825 |
| Transfers out | - | (16,500) | - | (45,000) |
| Total Other Financing Sources | 28,000 | 23,949 | 98,063 | (32,175) |
| Net Change in Fund Balances | 29,763 | 44,961 | 58,971 | 16,223 |
| Fund Balances at beginning of year | 213,067 | 65,269 | 182,291 | 336,823 |
| Fund Balances at end of year | \$ 242,830 | \$ 110,230 | \$ 241,262 | \$ 353,046 |

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

| County Road | Other Governmental Funds | Total Governmental Funds |
|-------------------|--------------------------------|--------------------------------|
| \$ 78,490 | \$ 24,193 | \$ 526,360 |
| - | - | 199,415 |
| - | 12,655 | 331,758 |
| - | - | 2,766 |
| - | 395 | 9,845 |
| - | - | 208,533 |
| <u>78,490</u> | <u>37,243</u> | <u>1,278,677</u> |
| - | 38,845 | 212,125 |
| - | - | 420,552 |
| 38,924 | - | 417,298 |
| - | - | 30,524 |
| - | - | 8,563 |
| - | - | 65,483 |
| - | - | 54,087 |
| - | 22,733 | 22,733 |
| - | 824 | 824 |
| <u>38,924</u> | <u>62,402</u> | <u>1,232,189</u> |
| <u>39,566</u> | <u>(25,159)</u> | <u>46,488</u> |
| 5,398 | 38,795 | 223,530 |
| (45,000) | (31,557) | (138,057) |
| (39,602) | 7,238 | 85,473 |
| (36) | (17,921) | 131,961 |
| <u>191,149</u> | <u>79,303</u> | <u>1,067,902</u> |
| <u>\$ 191,113</u> | <u>\$ 61,382</u> | <u>\$ 1,199,863</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, 2017**

| | | |
|---|-----|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 131,961 |
| <p>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.</p> | | |
| Capital outlay | | 107,969 |
| Depreciation expense | (| 164,886) |
| <p>Revenues deferred in the governmental funds because they do not provide current financial resources and are reported in the statement of activities.</p> | | |
| | | 20,000 |
| <p>The issuance of long-term debt (e.g. installment purchase contract) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.</p> | | |
| Payment on promissory note | | 22,733 |
| <p>Change in deferred outflows/inflows of resources as a result in changes of assumptions, difference between projected and actual earnings, and expected and actual experience.</p> | | |
| | (| 42,768) |
| <p>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.</p> | | |
| Increase in net OPEB obligation | \$(| 115,124) |
| Increase in net pension liability | (| 5,449) |
| Decrease in accrued compensated absences | | 11,421 |
| | | <u>(109,152)</u> |
| Change in net position of governmental activities | \$(| <u><u>34,143)</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, 2017**

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---------------------|---------------------|---------------------|
| | Sewer | Water | Mobile Home Park | Total |
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 313,005 | \$ 586,899 | \$ 531,200 | \$ 1,431,104 |
| Investments | - | 250,000 | - | 250,000 |
| Accounts receivable | 38,269 | 80,390 | 1,942 | 120,601 |
| Prepaid expenses | 6,004 | 24,352 | 2,973 | 33,329 |
| Inventory held for sale | - | - | 34,286 | 34,286 |
| | <u>357,278</u> | <u>941,641</u> | <u>570,401</u> | <u>1,869,320</u> |
| Restricted Assets: | | | | |
| Cash and cash equivalents | - | 290,380 | - | 290,380 |
| Noncurrent Assets: | | | | |
| Capital assets, net | <u>1,353,206</u> | <u>4,676,296</u> | <u>1,348,299</u> | <u>7,377,801</u> |
| Other Assets: | | | | |
| Contracts receivable - reserved capacity | - | 338,958 | - | 338,958 |
| Total Assets | <u>1,710,484</u> | <u>6,247,275</u> | <u>1,918,700</u> | <u>9,876,459</u> |
| Deferred Outflows of Resources: | | | | |
| Related to the pension plan | <u>19,324</u> | <u>54,946</u> | <u>4,286</u> | <u>78,556</u> |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 7,686 | 14,651 | 8,366 | 30,703 |
| Accrued expenses | 1,461 | 3,402 | 782 | 5,645 |
| Accrued interest | 2,366 | 8,116 | 3,270 | 13,752 |
| Bonds payable (current portion) | - | 65,000 | - | 65,000 |
| Notes payable (current portion) | 48,167 | 30,933 | 60,351 | 139,451 |
| Deposits payable | - | - | 31,156 | 31,156 |
| Unearned revenue | - | 53,927 | 19,202 | 73,129 |
| Total Current Liabilities | <u>59,680</u> | <u>176,029</u> | <u>123,127</u> | <u>358,836</u> |
| Long-term Liabilities (less current portions): | | | | |
| Accrued vacation and sick pay | 9,738 | 10,516 | 4,646 | 24,900 |
| Net OPEB obligation | 81,642 | 169,537 | 43,841 | 295,020 |
| Net pension liability | 138,683 | 346,800 | 35,304 | 520,787 |
| Unearned revenue (net of current portion) | - | 535,031 | - | 535,031 |
| Bonds payable (net of current portion) | - | 930,000 | - | 930,000 |
| Notes payable (net of current portion) | 379,203 | 339,182 | 301,752 | 1,020,137 |
| Total Long-term Liabilities | <u>609,266</u> | <u>2,331,066</u> | <u>385,543</u> | <u>3,325,875</u> |
| Total Liabilities | <u>668,946</u> | <u>2,507,095</u> | <u>508,670</u> | <u>3,684,711</u> |
| Deferred Inflows of Resources: | | | | |
| Related to the pension plan | <u>1,265</u> | <u>4,027</u> | <u>230</u> | <u>5,522</u> |
| Net Position: | | | | |
| Net investment in capital assets | 925,836 | 3,311,181 | 986,196 | 5,223,213 |
| Restricted for meter replacement | 82,839 | 79,959 | - | 162,798 |
| Restricted for equipment replacement | - | 290,380 | - | 290,380 |
| Unrestricted | 50,922 | 109,579 | 427,890 | 588,391 |
| Total Net Position | <u>\$ 1,059,597</u> | <u>\$ 3,791,099</u> | <u>\$ 1,414,086</u> | <u>\$ 6,264,782</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, 2017**

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---------------------|---------------------|---------------------|
| | Sewer | Water | Mobile Home Park | Total |
| Operating Revenues: | | | | |
| Charges for services | \$ 297,797 | \$ 615,962 | \$ 731,854 | \$ 1,645,613 |
| Other | 28,602 | 9,047 | 3,186 | 40,835 |
| Total Operating Revenues | <u>326,399</u> | <u>625,009</u> | <u>735,040</u> | <u>1,686,448</u> |
| Operating Expenses: | | | | |
| Salaries | 73,356 | 149,266 | 25,031 | 247,653 |
| Fringe benefits | 77,606 | 139,423 | 19,950 | 236,979 |
| Administrative fees | 20,250 | 63,279 | 43,276 | 126,805 |
| Contracted services | 8,511 | 6,773 | 16,457 | 31,741 |
| Insurance | 1,785 | 18,107 | 402 | 20,294 |
| Repairs and maintenance | 5,740 | 3,450 | - | 9,190 |
| Equipment rental | 24,475 | 5,731 | 11,067 | 41,273 |
| Supplies | 25,191 | 38,687 | 8,780 | 72,658 |
| Utilities | 43,151 | 39,554 | 62,957 | 145,662 |
| Rubbish expenditures | - | - | 34,659 | 34,659 |
| Mobile home park taxes | - | - | 36,605 | 36,605 |
| Flow back charges | - | 13,200 | - | 13,200 |
| Miscellaneous | 6,020 | 5,971 | 13,057 | 25,048 |
| Depreciation | 67,625 | 225,080 | 82,086 | 374,791 |
| Total Operating Expenses | <u>353,710</u> | <u>708,521</u> | <u>354,327</u> | <u>1,416,558</u> |
| Operating Income (Loss) | <u>(27,311)</u> | <u>(83,512)</u> | <u>380,713</u> | <u>269,890</u> |
| Non-Operating Revenue (Expenses): | | | | |
| Interest income | 741 | 216 | 370 | 1,327 |
| Interest expense and fiscal charges | (14,627) | (36,891) | (20,548) | (72,066) |
| Tap fees | 6,663 | 11,479 | - | 18,142 |
| Meter charge | 9,470 | 9,470 | - | 18,940 |
| Land use fee | - | - | (172,340) | (172,340) |
| Antenna leases | - | 29,827 | - | 29,827 |
| Total Non-Operating Revenue (Expenses) | <u>2,247</u> | <u>14,101</u> | <u>(192,518)</u> | <u>(176,170)</u> |
| Net Income (Loss) Before Contribution and Transfers | <u>(25,064)</u> | <u>(69,411)</u> | <u>188,195</u> | <u>93,720</u> |
| Capital Contribution: | | | | |
| Non-Village customers | - | 46,908 | - | 46,908 |
| Transfers: | | | | |
| Transfers out | <u>(10,000)</u> | <u>(10,000)</u> | <u>(65,473)</u> | <u>(85,473)</u> |
| Change in Net Position | <u>(35,064)</u> | <u>(32,503)</u> | <u>122,722</u> | <u>55,155</u> |
| Net Position at beginning of year | <u>1,094,661</u> | <u>3,823,602</u> | <u>1,291,364</u> | <u>6,209,627</u> |
| Net Position end of year | <u>\$ 1,059,597</u> | <u>\$ 3,791,099</u> | <u>\$ 1,414,086</u> | <u>\$ 6,264,782</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, 2017**

Business-type Activities - Enterprise Funds

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-------------------|---------------------|---------------------|
| | Sewer | Water | Mobile Home Park | Total |
| Cash Flows From Operating Activities: | | | | |
| Cash receipts from customers | \$ 319,118 | \$ 585,689 | \$ 740,310 | \$ 1,645,117 |
| Cash payments to suppliers | (138,648) | (197,473) | (230,497) | (566,618) |
| Cash payments to employees | (120,004) | (230,497) | (35,574) | (386,075) |
| Cash receipts from other sources | - | - | 29,796 | 29,796 |
| Net Cash Provided by Operating Activities | <u>60,466</u> | <u>157,719</u> | <u>504,035</u> | <u>722,220</u> |
| Cash Flows From Non-capital Financing Activities: | | | | |
| Land use fee | - | - | (172,340) | (172,340) |
| Transfers from/to other funds | (10,000) | (10,000) | (65,473) | (85,473) |
| Net Cash Used by Non-Capital Financing Activities | <u>(10,000)</u> | <u>(10,000)</u> | <u>(237,813)</u> | <u>(257,813)</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Bond and note payments | (48,167) | (95,933) | (60,351) | (204,451) |
| Interest payments | (14,899) | (37,455) | (21,093) | (73,447) |
| Meter charge | 9,470 | 9,470 | - | 18,940 |
| Antenna leases | - | 29,827 | - | 29,827 |
| Equipment replacement fees | - | 46,908 | - | 46,908 |
| Tap fees | 6,663 | 11,479 | - | 18,142 |
| Acquisition and construction of capital assets | - | (180,125) | (24,727) | (204,852) |
| Net Cash Used by Capital and Related Financing Activities | <u>(46,933)</u> | <u>(215,829)</u> | <u>(106,171)</u> | <u>(368,933)</u> |
| Cash Flows From Investing Activities: | | | | |
| Interest earned | 741 | 216 | 370 | 1,327 |
| Net Cash Provided by Investing Activities | <u>741</u> | <u>216</u> | <u>370</u> | <u>1,327</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,274 | (67,894) | 160,421 | 96,801 |
| Cash and Cash Equivalents at Beginning of Year | 308,731 | 945,173 | 370,779 | 1,624,683 |
| Cash and Cash Equivalents at End of Year | <u>\$ 313,005</u> | <u>\$ 877,279</u> | <u>\$ 531,200</u> | <u>\$ 1,721,484</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Operating income (loss) for the year | \$(27,311) | \$(83,512) | \$ 380,713 | \$ 269,890 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities - | | | | |
| Depreciation | 67,625 | 225,080 | 82,086 | 374,791 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources - | | | | |
| Receivables | (7,281) | 14,607 | (1,414) | 5,912 |
| Deferred outflows of resources | 12,615 | 33,962 | 1,942 | 48,519 |
| Inventory held for sale | - | - | 29,796 | 29,796 |
| Prepaid expenses | (1,179) | (5,083) | (1,482) | (7,744) |
| Accounts payable/accrued expenses | (1,634) | (9,233) | (400) | (11,267) |
| Unearned revenue | - | (53,927) | 3,189 | (50,738) |
| Net OPEB obligation | 17,711 | 36,040 | 6,123 | 59,874 |
| Net pension liability | 1,416 | 3,811 | 218 | 5,445 |
| Deposits | - | - | 3,495 | 3,495 |
| Deferred inflows of resources | (1,496) | (4,026) | (231) | (5,753) |
| Net Cash Provided by Operating Activities | <u>\$ 60,466</u> | <u>\$ 157,719</u> | <u>\$ 504,035</u> | <u>\$ 722,220</u> |

The accompanying notes are an integral part of the financial statements

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 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, and parks and recreation.

These financial statements present the Village and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government's operations. 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 removed from these 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, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, pension benefits, and claims and judgements, are recorded only when payment is due.

State-shared revenue, licenses, and interest 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 designed 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 designed 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 road millage and related expenditures for road maintenance and improvements.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 both Village residents and the Lexington-Worth Townships Utility Authority.

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.

Debt Service Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for debt service payments.

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. The principal 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, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. To the extent that some funds have negative balances in their share of common cash, such negative balances represent temporary interfund borrowings and, at June 30, have been recorded as interfund payables to funds with positive balances.

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. Inventory of the Mobile Home Park consists of a mobile home held for sale and is valued at lower-of-cost or market using the specific identification method.

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, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 fair market 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, due to occur within one year.

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. Bond issuance costs are expensed when incurred.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

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) until then. The Village has the following items that qualify for reporting in this category: pension payments made subsequent to the measurement date, pension related changes in assumptions, difference between expected and actual experience, and the net difference between expected and actual plan investment earnings, which are all reported on the government-wide and proprietary fund statements of net position. The contributions made subsequent to the measurement date are recognized in the following plan year, and the other pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan investment earnings which is amortized over five (5) years.

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 has two items that qualify for reporting under this category. The Village had unavailable revenue reported in the governmental fund balance sheet for revenues that will not be collected within the 60-day period and are therefore deferred and recognized as inflows of resources in the period that they are available. The Village had another deferred inflow of resources related to pensions for the difference between expected and actual experience. This deferred inflow is amortized over the average expected remaining service lives of the participants.

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 has limitations imposed on by external sources.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 Pronouncements -

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, was issued in June 2015 and will become effective for the Village's June 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Compliance -

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.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):

Prior to June 30, the proposed budgets are presented to the Village Council. The 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, 2017, the Village had an overage that exceed this threshold as follows:

| | Final Amended Budget | Amount Expended | Budget Variance |
|--|-------------------------|--------------------|--------------------|
| Primary Government - County Road Fund Public Works | \$ 25,008 | \$ 38,924 | \$ 13,916 |

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2017, the carrying amount of the deposits and investments is as follows:

| | Primary Government | Component Units | Total |
|--|-----------------------|--------------------|--------------|
| Deposits - | | | |
| Cash on hand - | | | |
| Petty Cash | \$ 400 | \$ - | \$ 400 |
| Deposits with Financial Institutions - | | | |
| Checking | 2,614,484 | 82,610 | 2,697,094 |
| Savings/Certificates of Deposit | 250,000 | - | 250,000 |
| Total Deposits | 2,864,484 | 82,610 | 2,947,094 |
| Investments - | | | |
| Investment Trust Fund | 195,290 | - | 195,290 |
| | \$ 3,060,174 | \$ 82,610 | \$ 3,142,784 |

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

| | Primary Government | Component Units | Total |
|---|-----------------------|--------------------|---------------------|
| Reconciliation to Combined Balance Sheet - Reported as Cash and Cash Equivalents | | | |
| Petty Cash | \$ 400 | \$ - | \$ 400 |
| Cash in Checking | 2,614,484 | 82,610 | 2,697,094 |
| Investment Trust Fund | 195,290 | - | 195,290 |
| | 2,810,174 | 82,610 | 2,892,784 |
| Reported as Investments - Certificates of Deposit | 250,000 | - | 250,000 |
| | <u>\$ 3,060,174</u> | <u>\$ 82,610</u> | <u>\$ 3,142,784</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, 2017, the bank balance of the Village's deposits was \$2,998,493, of which \$585,080 was insured by depository insurance with the remaining balance of \$2,413,413 uninsured and uncollateralized.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

The Village utilized 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, 2017, the Village has \$195,290 (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 MILAF+ Fund investment purchases have several maturities. The portfolio seeks to maintain a net asset value of \$1.00 per share. The Village 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. At year-end, the Village's investments have the following range of maturity dates:

| | Fair Value | Maturity _____ <1 Year |
|--------------------------|------------|------------------------------|
| Certificates of Deposits | \$ 250,000 | \$ 250,000 |

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 2017 had a taxable value of \$44,506,804. The millage rates levied by the Village were 7.7030 for General Operating, 3.0810 for Municipal Streets, and 0.6159 for Cemetery.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - TAXES - (cont'd):

The County of Sanilac (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.

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

| | Governmental Activities | Business-type Activities |
|-------------------|----------------------------|-----------------------------|
| Accounts | \$ 33,164 | \$ 120,601 |
| Intergovernmental | 76,727 | - |
| | \$ 109,891 | \$ 120,601 |

NOTE 6 - INTERFUND TRANSFERS:

The composition of interfund balances as of June 30, 2017 is as follows:

Transfers In and Out -

| Transfers In | Transfers Out | Amount |
|---------------------------|-----------------------|--------------|
| Primary Government | | |
| General Fund | Cemetery Fund | \$ 8,000 (1) |
| General Fund | Sewer Fund | 10,000 (1) |
| General Fund | Water Fund | 10,000 (1) |
| Major Street Fund | Municipal Street Fund | 25,000 (1) |
| Major Street Fund | Mobile Home Park Fund | 15,449 (1) |
| Local Street Fund | County Road Fund | 45,000 (1) |
| Local Street Fund | Major Street Fund | 16,500 (2) |
| Local Street Fund | Municipal Street Fund | 20,000 (1) |
| Local Street Fund | Mobile Home Park Fund | 16,563 (1) |
| Municipal Street Fund | Mobile Home Park Fund | 12,825 (1) |
| County Road Fund | Mobile Home Park Fund | 5,398 (1) |
| Cemetery Fund | Mobile Home Park Fund | 9,796 (1) |
| Capital Project Fund | Mobile Home Park Fund | 5,442 (1) |
| Debt Service Fund | Capital Project Fund | 23,557 (3) |
| | | \$ 223,530 |

- (1) To support operations and/or capital costs
- (2) Application of Act 51 revenue allocation
- (3) To support payment of related debt

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2017 was as follows:

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Disposals/ Adjustments</u> | <u>Balance</u> <u>June 30, 2017</u> |
|---|---------------------------------------|---------------------|-----------------------------------|--|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 320,896 | \$ - | \$ - | \$ 320,896 |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | 428,571 | - | - | 428,571 |
| Improvements other than buildings | 1,820,351 | - | - | 1,820,351 |
| Machinery and equipment | 369,598 | 15,104 | - | 384,702 |
| Vehicles | <u>968,060</u> | <u>92,865</u> | <u>36,000</u> | <u>1,024,925</u> |
| Total capital assets being depreciated | <u>3,586,580</u> | <u>107,969</u> | <u>36,000</u> | <u>3,658,549</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | 322,807 | 8,525 | - | 331,332 |
| Improvements other than buildings | 703,353 | 88,289 | - | 791,642 |
| Machinery and equipment | 334,210 | 10,044 | - | 344,254 |
| Vehicles | <u>643,558</u> | <u>58,028</u> | <u>36,000</u> | <u>665,586</u> |
| Total accumulated depreciation | <u>2,003,928</u> | <u>164,886</u> | <u>36,000</u> | <u>2,132,814</u> |
| Total capital assets being depreciated, net | <u>1,582,652</u> | <u>(56,917)</u> | <u>-</u> | <u>1,525,735</u> |
| Governmental activities capital assets, net | <u>\$ 1,903,548</u> | <u>\$(56,917)</u> | <u>\$ -</u> | <u>\$ 1,846,631</u> |
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,495 | \$ - | \$ - | \$ 17,495 |
| Construction in progress | <u>37,985</u> | <u>12,863</u> | <u>37,985</u> | <u>12,863</u> |
| Total capital assets, not being depreciated | <u>55,480</u> | <u>12,863</u> | <u>37,985</u> | <u>30,358</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 92,274 | - | - | 92,274 |
| Mobile home park | 2,758,767 | 24,726 | - | 2,783,493 |
| Utility systems | 10,914,258 | 205,248 | - | 11,119,506 |
| Machinery and equipment | <u>222,864</u> | <u>-</u> | <u>-</u> | <u>222,864</u> |
| Total capital assets being depreciated | <u>13,988,163</u> | <u>229,974</u> | <u>-</u> | <u>14,218,137</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 42,058 | 2,548 | - | 44,606 |
| Mobile home park | 1,359,975 | 80,730 | - | 1,440,705 |
| Utility systems | 4,923,944 | 280,940 | - | 5,204,884 |
| Machinery and equipment | <u>169,926</u> | <u>10,573</u> | <u>-</u> | <u>180,499</u> |
| Total accumulated depreciation | <u>6,495,903</u> | <u>374,791</u> | <u>-</u> | <u>6,870,694</u> |
| Total capital assets being depreciated, net | <u>7,492,260</u> | <u>(144,817)</u> | <u>-</u> | <u>7,347,443</u> |
| Business activities capital assets, net | <u>\$ 7,547,740</u> | <u>\$(131,954)</u> | <u>\$ 37,985</u> | <u>\$ 7,377,801</u> |

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Disposals/ Adjustments</u> | <u>Balance</u> <u>June 30, 2017</u> |
|---|---------------------------------------|-------------------|-----------------------------------|--|
| Discretely Presented Component Unit: | | | | |
| 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 | <u>-</u> | <u>138,147</u> | <u>-</u> | <u>138,147</u> |
| Total capital assets being depreciated | <u>269,119</u> | <u>138,147</u> | <u>-</u> | <u>407,266</u> |
| Less accumulated depreciation for: | | | | |
| Leasehold improvements | 3,082 | 383 | - | 3,465 |
| Buildings and improvements | 7,573 | 4,491 | - | 12,064 |
| Improvements other than buildings | <u>29,092</u> | <u>8,670</u> | <u>-</u> | <u>37,762</u> |
| Total accumulated depreciation | <u>39,747</u> | <u>13,544</u> | <u>-</u> | <u>53,291</u> |
| Component unit capital assets, net | <u>\$ 229,372</u> | <u>\$ 124,603</u> | <u>\$ -</u> | <u>\$ 353,975</u> |

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

| | |
|---|-------------------|
| Governmental Activities: | |
| General Government | \$ 21,383 |
| Public Safety | 42,707 |
| Public Works | 91,399 |
| Recreation and Cultural | <u>9,397</u> |
| Total depreciation expense - Governmental Activities | <u>\$ 164,866</u> |
| Business-type Activities: | |
| Sewer | \$ 67,625 |
| Water | 225,080 |
| Mobile Home Park | <u>82,086</u> |
| Total depreciation expense - Business-type Activities | <u>\$ 374,791</u> |

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - LONG-TERM LIABILITIES:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term liabilities (including current portions) of the Primary Government for the year ended June 30, 2017:

| | Balance <u>July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2017</u> | Due Within <u>One Year</u> |
|---|--------------------------------|------------------|-------------------|---------------------------------|-------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Governmental Funds - | | | | | |
| 2014 Promissory Note | \$ 38,266 | \$ - | \$ 22,733 | \$ 15,533 | \$ 15,533 |
| Accrued sick and vacation | 47,468 | - | 11,421 | 36,047 | - |
| Total Governmental Funds | <u>85,734</u> | <u>-</u> | <u>34,154</u> | <u>51,580</u> | <u>15,533</u> |
| <u>Business-type Activities:</u> | | | | | |
| 2002 Promissory Note (MHP) | 422,454 | - | 60,351 | 362,103 | 60,351 |
| 1999 WSS Bonds/Contracts Payable | 1,060,000 | - | 65,000 | 995,000 | 65,000 |
| 2013 Promissory Note (Water) | 401,048 | - | 30,933 | 370,115 | 30,933 |
| 2013 Promissory Note (Sewer) | 235,537 | - | 18,167 | 217,370 | 18,167 |
| 2013 Promissory Note (Lift Station) | 240,000 | - | 30,000 | 210,000 | 30,000 |
| Accrued sick and vacation | 36,249 | - | 11,349 | 24,900 | - |
| Total Business-type Activities | <u>2,395,288</u> | <u>-</u> | <u>215,800</u> | <u>2,179,488</u> | <u>204,451</u> |
| | <u>\$ 2,481,022</u> | <u>\$ -</u> | <u>\$ 249,954</u> | <u>\$ 2,231,068</u> | <u>\$ 219,984</u> |

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

2014 Promissory Note:

The Village entered into a purchase agreement on December 23, 2008 in the amount of \$187,500 to purchase property for cemetery expansion. On February 25, 2014, the outstanding balance of the installment contract of \$88,783 was refinanced. Monthly installments of \$1,963 are due beginning March 23, 2014 through February 25, 2018 including an interest rate of 2.95%.

\$ 15,533

The annual requirement for the 2014 promissory note obligation at June 30, 2017 is as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2018 | <u>\$ 15,533</u> | <u>\$ 171</u> |

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 \$36,047 as well as the proprietary funds and business-type activities' portion of \$24,900 has been recorded as a long-term liability.

\$ 60,947

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

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.

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 2.5% payable semi-annually.

\$ 995,000

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

| Year | Principal | Interest |
|-----------|-------------------|-------------------|
| 2018 | \$ 65,000 | \$ 24,063 |
| 2019 | 65,000 | 22,438 |
| 2020 | 70,000 | 20,750 |
| 2021 | 70,000 | 19,000 |
| 2022 | 75,000 | 17,188 |
| 2023-2027 | 390,000 | 57,250 |
| 2028-2030 | 260,000 | 9,875 |
| | <u>\$ 995,000</u> | <u>\$ 170,564</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 \$60,351.

\$ 362,103

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

2013 SDS and WSS Promissory Note:

On September 1, 2013, the Village of Lexington refinanced its 2003 promissory note for constructing and improvements to the sewer and water system. The principal refinanced was \$736,509 at an interest rate of 3.00%, due semi-annually. Principal payments are due annually based on an amortization schedule of fifteen years starting September 1, 2014.

\$ 587,485

2013 Lift Station Promissory Note:

On September 17, 2013, the Village of Lexington entered into a promissory note in the amount of \$300,000 to purchase and install a sewage lift station. Annual principal payments of \$30,000 starting September 1, 2014 through September 1, 2023 at an interest rate of 3.5%, due semi-annually.

\$ 210,000

The annual requirements to amortize the promissory note obligations outstanding at June 30, 2017 are as follows:

| Year | 2002 MHP | | 2013 SDS and WSS | | 2013 Lift Station | |
|-----------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 60,351 | \$ 17,592 | \$ 49,100 | \$ 24,208 | \$ 30,000 | \$ 6,924 |
| 2019 | 60,351 | 14,394 | 49,101 | 22,075 | 30,000 | 5,860 |
| 2020 | 60,351 | 11,195 | 49,100 | 19,995 | 30,000 | 4,807 |
| 2021 | 60,351 | 7,996 | 49,101 | 17,811 | 30,000 | 3,730 |
| 2022 | 60,351 | 4,798 | 49,100 | 15,678 | 30,000 | 3,730 |
| 2023-2027 | 60,348 | 1,599 | 245,503 | 46,434 | 60,000 | 4,803 |
| 2028-2029 | - | - | 96,480 | 3,801 | - | - |
| | <u>\$ 362,103</u> | <u>\$ 57,574</u> | <u>\$ 587,485</u> | <u>\$ 150,002</u> | <u>\$ 210,000</u> | <u>\$ 29,854</u> |

NOTE 9 - 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.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - PENSION PLANS - (cont'd):

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, 2016 was comprised of 5 active participants, 9 retirees and beneficiaries, and 2 other vested inactive participants.

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, 2017 was \$5,586 per month for general employees.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - PENSION PLANS - (cont'd):

Net Pension Liability -

The net pension liability of the Village has been measured as of December 31, 2016 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 | \$ 2,563,651 | \$ 1,541,830 | \$ 1,021,821 |
| Service cost | 24,982 | - | 24,982 |
| Interest on total pension liability | 200,310 | - | 200,310 |
| Net investment income | - | 173,008 | (173,008) |
| Difference between expected and actual experience | 27,174 | - | 27,174 |
| Contributions from employer | - | 57,696 | (57,696) |
| Contributions from employees | - | 14,285 | (14,285) |
| Benefit payments | (144,521) | (144,521) | - |
| Administrative costs | - | (3,417) | 3,417 |
| Ending balance | <u>\$ 2,671,596</u> | <u>\$ 1,638,881</u> | <u>\$ 1,032,715</u> |

Plan fiduciary net position as a percentage of the total pension liability 61%

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

For the year ended June 30, 2017, the Village recognized pension expense of \$163,461, including \$81,559 in the government-wide and \$81,902 in the proprietary fund financial statements of the primary government. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Primary Government | | |
| Net difference between projected and actual earnings on Plan investments | \$ 63,158 | \$ - |
| Contributions made subsequent to the measurement date | 33,516 | - |
| Difference between expected and actual experience | 18,116 | 11,504 |
| Changes in assumptions | <u>45,291</u> | <u>-</u> |
| | <u>\$ 160,081</u> | <u>\$ 11,504</u> |

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - PENSION PLANS - (cont'd):

The amounts of deferred outflows of resources and deferred inflows 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:

| | | |
|------|----|-----------------|
| 2018 | \$ | 69,346 |
| 2019 | | 35,559 |
| 2020 | | 20,696 |
| 2021 | | <u>(10,540)</u> |
| | \$ | <u>115,061</u> |

Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2016. The valuation used the following actuarial assumptions based on the most recent study of Plan experience covering the period from January 1, 2011 through December 31, 2014.

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.

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.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - PENSION PLANS - (cont'd):

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, 2016 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.

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Global Equity | 57.5 % | 5.0 % |
| Global Fixed Income | 20.0 | 2.2 |
| Real Assets | 12.5 | 4.2 |
| Diversifying Strategies | 10.0 | 6.6 |

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.

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1 % Increase (9.00%) |
|--|------------------------|-------------------------------------|-------------------------|
| Net pension liability of the Primary Government | \$ 1,326,698 | \$ 1,032,715 | \$ 782,119 |

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, 2017 totaled \$10,030.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS:

Plan Description -

In addition to the pension benefits described in Note 9, the Village of Lexington provides post-retirement health insurance for any employee that retires on or after attaining age 55 with a minimum of 25 years of continued employment with the Village through a single-employer defined benefit health care plan.

Funding Policy -

The Village recognizes the cost of providing these benefits on a “pay-as-you-go” basis, except in the government-wide statements and the proprietary funds where the unfunded annual required contributions (ARC) is recorded as a long-term liability. The plan requires no member contributions at this time.

Annual OPEB Cost and Net OPEB Obligation -

The Village’s annual other postemployment benefits (OPEB) cost is based on the ARC of the employer, an amount calculated in accordance with the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The Village’s annual OPEB cost for the year, the amount actually contributed, and changes in net OPEB obligation are as follows:

| | Primary Government |
|--|-----------------------|
| Annual required contribution | \$ 241,155 |
| Interest on net OPEB obligation | 35,395 |
| Adjustment to annual required contribution | (46,050) |
| Annual OPEB cost (expense) | 230,500 |
| Contributions made | (55,503) |
| Increase in net OPEB obligation | 174,997 |
| Net OPEB obligation - beginning of year | 707,896 |
| Net OPEB obligation - end of year | \$ 882,893 |

Funded Status and Progress -

The projection of future benefit payments for an obligation for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence of events far into the future. Amounts determined regarding the funding 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.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS - (cont'd):

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of of Assets (a) | Actuarial Accrued Liability (AAL) Entry (b) | Unfunded (Overfunded) Accrued Liability (UAAL) (b-a) | Funded Ratio (AAL) (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/c |
|--------------------------------|---|---|---|-----------------------------------|---------------------------|--|
| 6/30/10 | \$ - | \$ 1,490,516 | \$ 1,490,516 | - | \$ 493,299 | 302.2 % |
| 6/30/13 | - | 2,080,039 | 2,080,039 | - | 486,492 | 427.6 |
| 6/30/16 | - | 2,319,909 | 2,319,909 | - | 633,248 | 366.4 |

Schedule of Employer Contributions

| Year Ended | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|------------|---------------------|---------------------------|------------------------|
| 2015 | \$ 160,606 | 36 % | \$ 535,588 |
| 2016 | 233,094 | 26 | 707,895 |
| 2017 | 230,500 | 24 | 882,893 |

Methods and Assumptions -

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The benefit costs were developed using the individual entry age actuarial cost method. The actuarial assumptions included (a) 5% net investment rate of return, (b) 5% discount rate, (c) projected health care cost increases of 5.1% to 6.2%, (d) life expectancies for males and females based on the 2011 life tables obtained from cdc.gov, and (e) 25 years minimum service with the Village have been met.

The assumptions and determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

VILLAGE OF LEXINGTON, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - EXTERNAL SALE OF WATER:

In addition to the sale of water to Village residents, the Village sells water through contracts with the Worth Township Department of Public Works (DPW), formally the Lexington-Worth Townships Utility Authority (LWTUA), 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, 2017 is \$290,380. 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 \$338,958 and corresponding unearned revenue of \$338,958 at June 30, 2017 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, 2017 is \$250,000.

NOTE 12 - RESTRICTED ASSETS:

The restricted assets of \$290,380 in the Water Fund are for equipment replacement.

NOTE 13 - 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, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - RESTRICTED NET POSITION:

The net position has been restricted in the entity-wide statement of net position at June 30, 2017 for the following purposes:

Governmental Activities:

| | | | |
|---|----|---------|---------|
| General Fund - | | | |
| Metro Authority | | \$ | 11,392 |
| Major Street Fund - | \$ | 110,230 | |
| Pension Liability | (| 25,596) | |
| OPEB Liability | (| 17,636) | 66,998 |
| Local Street Fund - | | 241,262 | |
| Pension Liability | (| 25,596) | |
| OPEB Liability | (| 23,515) | 192,151 |
| Municipal Street Fund | | | 353,046 |
| County Road Fund | | | 191,113 |
| Total Restricted Net Position - Governmental Activities | | | 814,700 |

Business-type Activities:

| | | | |
|--|--|---------|---------|
| Water Fund | | | |
| Meter Replacement | | | 82,839 |
| Sewer Fund | | | |
| Meter Replacement | | 79,959 | |
| Equipment Replacement | | 290,380 | 370,339 |
| Total Restricted Net Position - Business-type Activities | | | 453,178 |

| | | |
|-------------------------------|--|--------------|
| Total Restricted Net Position | | \$ 1,267,878 |
|-------------------------------|--|--------------|

NOTE 15 - CADILLAC HOUSE RESTORATION PROJECT:

During June 2017, the Village entered into an agreement with the Cadillac House Investment Fund (Developer) for a project to eliminate blight with respect to real estate and improvements located in the Village. The Village has been approved to receive Michigan Community Development Block Grant (CDBG) funds to finance a portion of the project. The Village will request from CDBG and disburse to the Developer an amount not to exceed \$970,000. Another \$30,000 will be requested from CDBG and disbursed for grant administration.

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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Property taxes | \$ 283,858 | \$ 307,188 | \$ 302,633 | \$(4,555) |
| Intergovernmental | 99,938 | 101,505 | 107,417 | 5,912 |
| Charges for services | 322,670 | 322,451 | 316,231 | (6,220) |
| Fines and forfeits | 900 | 2,021 | 2,766 | 745 |
| Interest and rents | 10,000 | 9,379 | 9,450 | 71 |
| Other | 217,388 | 204,391 | 208,533 | 4,142 |
| Total Revenues | <u>934,754</u> | <u>946,935</u> | <u>947,030</u> | <u>95</u> |
| Expenditures: | | | | |
| General Government | 176,985 | 187,501 | 173,280 | 14,221 |
| Public Safety | 401,220 | 418,899 | 420,552 | (1,653) |
| Public Works | 194,388 | 192,808 | 192,778 | 30 |
| Health and Welfare | 30,100 | 30,619 | 30,524 | 95 |
| Community and Economic Development | 8,400 | 8,735 | 8,563 | 172 |
| Recreation and Culture | 74,795 | 67,957 | 65,483 | 2,474 |
| Other | 56,722 | 54,520 | 54,087 | 433 |
| Total Expenditures | <u>942,610</u> | <u>961,039</u> | <u>945,267</u> | <u>15,772</u> |
| Revenues over (under) expenditures | (7,856) | (14,104) | 1,763 | 15,867 |
| Other Financing Sources: | | | | |
| Transfers in | 8,000 | 28,000 | 28,000 | - |
| Net Change in Fund Balance | 144 | 13,896 | 29,763 | 15,867 |
| Fund Balance at beginning of year | <u>213,067</u> | <u>213,067</u> | <u>213,067</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 213,211</u> | <u>\$ 226,963</u> | <u>\$ 242,830</u> | <u>\$ 15,867</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, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues: | | | | |
| Intergovernmental | \$ 45,000 | \$ 45,101 | \$ 63,093 | \$ 17,992 |
| Expenditures: | | | | |
| Public Works - | | | | |
| Salaries | 19,729 | 15,410 | 13,564 | 1,846 |
| Fringe benefits | 12,204 | 12,354 | 7,749 | 4,605 |
| Administrative fees | 7,258 | 7,824 | 6,309 | 1,515 |
| Supplies | 7,407 | 2,920 | 2,461 | 459 |
| Equipment rental | 13,475 | 10,587 | 10,489 | 98 |
| Repairs and maintenance | 500 | 500 | 255 | 245 |
| Purchased services | 1,000 | 2,201 | 1,225 | 976 |
| Traffic and street lights | 10,000 | 11,895 | - | 11,895 |
| Other | 20 | 38 | 29 | 9 |
| Total Expenditures | <u>71,593</u> | <u>63,729</u> | <u>42,081</u> | <u>21,648</u> |
| Revenues over (under) expenditures | <u>(26,593)</u> | <u>(18,628)</u> | <u>21,012</u> | <u>39,640</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 44,148 | 44,148 | 40,449 | (3,699) |
| Transfers out | <u>(11,300)</u> | <u>(15,001)</u> | <u>(16,500)</u> | <u>(1,499)</u> |
| Total Other Financing Sources | <u>32,848</u> | <u>29,147</u> | <u>23,949</u> | <u>(5,198)</u> |
| Net Change in Fund Balance | 6,255 | 10,519 | 44,961 | 34,442 |
| Fund Balance at beginning of year | <u>65,269</u> | <u>65,269</u> | <u>65,269</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 71,524</u> | <u>\$ 75,788</u> | <u>\$ 110,230</u> | <u>\$ 34,442</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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--------------------|-----------------|------------|---|
| Revenues: | | | | |
| Intergovernmental | \$ 24,600 | \$ 24,600 | \$ 28,905 | \$ 4,305 |
| Expenditures: | | | | |
| Public Works - | | | | |
| Salaries | 29,744 | 22,960 | 18,099 | 4,861 |
| Fringe benefits | 15,511 | 16,072 | 9,413 | 6,659 |
| Administrative fees | 8,341 | 9,032 | 2,890 | 6,142 |
| Supplies | 9,907 | 3,551 | 3,390 | 161 |
| Equipment rental | 32,299 | 32,334 | 26,889 | 5,445 |
| Repairs and maintenance | 250 | 250 | - | 250 |
| Purchase of services | 2,000 | 2,846 | 1,870 | 976 |
| Other | 4,100 | 5,507 | 5,446 | 61 |
| Total Public Works | 102,152 | 92,552 | 67,997 | 24,555 |
| Capital Outlay | 5,000 | - | - | - |
| Total Expenditures | 107,152 | 92,552 | 67,997 | 24,555 |
| Revenues under expenditures | (82,552) | (67,952) | (39,092) | 28,860 |
| Other Financing Sources: | | | | |
| Transfers in | 101,052 | 104,753 | 98,063 | (6,690) |
| Net Change in Fund Balance | 18,500 | 36,801 | 58,971 | 22,170 |
| Fund Balance at beginning of year | 182,291 | 182,291 | 182,291 | - |
| Fund Balance at end of year | \$ 200,791 | \$ 219,092 | \$ 241,262 | \$ 22,170 |

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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Taxes | \$ 120,924 | \$ 120,028 | \$ 121,044 | \$ 1,016 |
| Charges for services | - | - | 2,872 | 2,872 |
| Total Revenues | <u>120,924</u> | <u>120,028</u> | <u>123,916</u> | <u>3,888</u> |
| Expenditures: | | | | |
| Public Works - | | | | |
| Contracted services | - | 1,154 | 1,153 | 1 |
| Capital Outlay | <u>60,000</u> | <u>74,365</u> | <u>74,365</u> | <u>-</u> |
| Total Expenditures | <u>60,000</u> | <u>75,519</u> | <u>75,518</u> | <u>1</u> |
| Revenues over expenditures | <u>60,924</u> | <u>44,509</u> | <u>48,398</u> | <u>3,889</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 24,255 | 24,255 | 12,825 | (11,430) |
| Transfers out | <u>(45,000)</u> | <u>(45,000)</u> | <u>(45,000)</u> | <u>-</u> |
| Total Other Financing Uses | <u>(20,745)</u> | <u>(20,745)</u> | <u>(32,175)</u> | <u>(11,430)</u> |
| Net Change in Fund Balance | 40,179 | 23,764 | 16,223 | (7,541) |
| Fund Balance at beginning of year | <u>336,823</u> | <u>336,823</u> | <u>336,823</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 377,002</u> | <u>\$ 360,587</u> | <u>\$ 353,046</u> | <u>\$ (7,541)</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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------|---|
| Revenues: | | | | |
| County road millage | \$ 75,000 | \$ 78,490 | \$ 78,490 | \$ - |
| Expenditures: | | | | |
| Public Works - | | | | |
| Administrative fees | 7,678 | 3,676 | 2,735 | 941 |
| Equipment rental | 13,475 | 9,185 | 10,489 | (1,304) |
| Traffic and street lights | 10,907 | 11,969 | 25,522 | (13,553) |
| Other | - | 178 | 178 | - |
| Total Expenditures | 32,060 | 25,008 | 38,924 | (13,916) |
| Revenues over expenditures | 42,940 | 53,482 | 39,566 | (13,916) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 17,801 | 17,801 | 5,398 | (12,403) |
| Transfers out | (45,000) | (45,000) | (45,000) | - |
| Total Other Financing Uses | (27,199) | (27,199) | (39,602) | (12,403) |
| Net Change in Fund Balance | 15,741 | 26,283 | (36) | (26,319) |
| Fund Balance at beginning of year | 191,149 | 191,149 | 191,149 | - |
| Fund Balance at end of year | \$ 206,890 | \$ 217,432 | \$ 191,113 | \$(26,319) |

VILLAGE OF LEXINGTON, MICHIGAN

**EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
(PLAN YEAR)**

| | For the Year Ended December 31, | | | |
|--|---------------------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2014 | 2013-2007* |
| Total Pension Liability | | | | |
| Service Cost | \$ 24,982 | \$ 34,143 | \$ 38,481 | \$ - |
| Interest | 200,310 | 191,430 | 183,478 | - |
| Change in assumptions | - | 135,873 | - | - |
| Differences between expected and actual experience | 27,174 | (34,513) | - | - |
| Benefit payments, including refunds | (144,521) | (133,157) | (113,632) | - |
| | | | | |
| Change in total pension liability | 107,945 | 193,776 | 108,327 | - |
| | | | | |
| Total pension liability, beginning of year | <u>2,563,651</u> | <u>2,369,875</u> | <u>2,261,548</u> | <u>-</u> |
| | | | | |
| Total pension liability, end of year | <u>\$ 2,671,596</u> | <u>\$ 2,563,651</u> | <u>\$ 2,369,875</u> | <u>\$ 2,261,548</u> |
| | | | | |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 57,696 | \$ 48,808 | \$ 50,947 | \$ - |
| Contributions - Member | 14,285 | 16,305 | 18,868 | - |
| Net investment income | 173,008 | (24,042) | 99,790 | - |
| Benefit payments, including refunds | (144,521) | (133,157) | (113,632) | - |
| Administrative expenses | (3,417) | (3,534) | (3,664) | - |
| | | | | |
| Net change in plan fiduciary net position | 97,051 | (95,620) | 52,309 | - |
| | | | | |
| Plan fiduciary net position, beginning of year | <u>1,541,830</u> | <u>1,637,450</u> | <u>1,585,141</u> | <u>-</u> |
| | | | | |
| Plan fiduciary net position, end of year | <u>\$ 1,638,881</u> | <u>\$ 1,541,830</u> | <u>\$ 1,637,450</u> | <u>\$ 1,585,141</u> |
| | | | | |
| Village's Net Pension Liability - Ending | <u>\$ 1,032,715</u> | <u>\$ 1,021,821</u> | <u>\$ 732,425</u> | <u>\$ 676,407</u> |
| | | | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 61.34% | 60.14% | 69.09% | 70.09% |
| | | | | |
| Covered Employee Payroll | \$ 211,878 | \$ 306,231 | \$ 345,123 | |
| | | | | |
| Village's Net Pension Liability as a Percentage of Covered Employee Payroll | 487.4% | 333.7% | 212.2% | |

* GASB No. 68 was implemented for fiscal year ended June 30, 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

VILLAGE OF LEXINGTON, MICHIGAN

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contributions | \$ 67,032 | \$ 50,238 | \$ 52,272 | \$ 47,672 | \$ 56,854 | \$ 56,430 |
| Contributions in relation to the actuarially determined contribution | <u>67,032</u> | <u>50,238</u> | <u>52,272</u> | <u>47,672</u> | <u>56,854</u> | <u>56,430</u> |
| Contribution Deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 242,345 | \$ 313,380 | \$ 350,899 | \$ 345,123 | \$ 381,934 | \$ 486,492 |
| Contributions as a Percentage of Covered Employee Payroll | 27.66% | 16.03% | 14.90% | 13.81% | 14.89% | 11.60% |

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 | 10 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.

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---------------|---------------|---------------|---------------|
| \$ 61,633 | \$ 58,328 | \$ 54,075 | \$ 70,138 |
| <u>61,633</u> | <u>58,328</u> | <u>54,075</u> | <u>70,138</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 475,249 | \$ 493,911 | \$ 493,299 | \$ 491,022 |
| 12.97% | 11.81% | 10.96% | 14.28% |

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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|--------------------|-----------------|------------|---|
| Revenues: | | | | |
| Property taxes | \$ 283,858 | \$ 307,188 | \$ 302,633 | \$(4,555) |
| Intergovernmental - | | | | |
| State | 99,938 | 101,505 | 107,417 | 5,912 |
| Charges for services | 322,670 | 322,451 | 316,231 | (6,220) |
| Fines and forfeits | 900 | 2,021 | 2,766 | 745 |
| Interest and rents | 10,000 | 9,379 | 9,450 | 71 |
| Other | 217,388 | 204,391 | 208,533 | 4,142 |
| | 934,754 | 946,935 | 947,030 | 95 |
| Expenditures: | | | | |
| General Government - | | | | |
| Village council | 16,935 | 15,051 | 11,893 | 3,158 |
| Village manager | 81,166 | 87,490 | 85,396 | 2,094 |
| Village clerk | 67,710 | 66,183 | 66,320 | (137) |
| Administrative services | 161,804 | 157,690 | 155,342 | 2,348 |
| | 327,615 | 326,414 | 318,951 | 7,463 |
| Less: Reimbursement from other funds | (150,630) | (138,913) | (145,671) | 6,758 |
| Total General Government | 176,985 | 187,501 | 173,280 | 14,221 |
| Public Safety - | | | | |
| Fire department | 138,608 | 130,581 | 133,308 | (2,727) |
| Police department | 262,612 | 288,318 | 287,244 | 1,074 |
| Total Public Safety | 401,220 | 418,899 | 420,552 | (1,653) |
| Public Works - | | | | |
| Department of public works | 88,965 | 93,756 | 94,886 | (1,130) |
| Rubbish collection/disposal | 105,423 | 99,052 | 97,892 | 1,160 |
| Total Public Works | 194,388 | 192,808 | 192,778 | 30 |
| Health and Welfare - | | | | |
| Environment | 10,000 | 10,309 | 10,309 | - |
| Ambulance | 20,100 | 20,310 | 20,215 | 95 |
| Total Health and Welfare | 30,100 | 30,619 | 30,524 | 95 |
| Community and Economic Development - | | | | |
| Planning | 8,400 | 8,735 | 8,563 | 172 |
| Recreation and Culture - | | | | |
| Parks and recreation | 57,745 | 55,918 | 53,412 | 2,506 |
| Community center | 17,050 | 12,039 | 12,071 | (32) |
| Total Recreation and Culture | 74,795 | 67,957 | 65,483 | 2,474 |

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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|--------------------|-----------------|------------|---|
| Other - | | | | |
| Retiree Health Insurance | \$ 56,722 | \$ 54,520 | \$ 54,087 | \$ 433 |
| Total Expenditures | 942,610 | 961,039 | 945,267 | 15,772 |
| Revenues over (under) expenditures | (7,856) | (14,104) | 1,763 | 15,867 |
| Other Financing Sources: | | | | |
| Transfers in | 8,000 | 28,000 | 28,000 | - |
| Net Change in Fund Balance | 144 | 13,896 | 29,763 | 15,867 |
| Fund Balance at beginning of year | 213,067 | 213,067 | 213,067 | - |
| Fund Balance at end of year | \$ 213,211 | \$ 226,963 | \$ 242,830 | \$ 15,867 |

Concluded

VILLAGE OF LEXINGTON, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | Cemetery Fund | Capital Project Fund | Debt Service Fund | Total |
|-------------------------------------|------------------|----------------------------|-------------------------|------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 35,373 | \$ 25,104 | \$ - | \$ 60,477 |
| Prepaid expenditures | 1,222 | - | - | 1,222 |
| Total Assets | <u>\$ 36,595</u> | <u>\$ 25,104</u> | <u>\$ -</u> | <u>\$ 61,699</u> |
| Liabilities: | | | | |
| Accrued liabilities | \$ 317 | \$ - | \$ - | \$ 317 |
| Fund Balances: | | | | |
| Nonspendable for: | | | | |
| Prepays | 1,222 | - | - | 1,222 |
| Committed for: | | | | |
| Cemetery | 35,056 | - | - | 35,056 |
| Assigned for - | | | | |
| Capital Items | - | 25,104 | - | 25,104 |
| Total Fund Balances | <u>36,278</u> | <u>25,104</u> | <u>-</u> | <u>61,382</u> |
| Total Liabilities and Fund Balances | <u>\$ 36,595</u> | <u>\$ 25,104</u> | <u>\$ -</u> | <u>\$ 61,699</u> |

VILLAGE OF LEXINGTON, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | Cemetery Fund | Capital Project Fund | Debt Service Fund | Total |
|--|------------------|----------------------------|-------------------------|-----------|
| Revenues: | | | | |
| Taxes | \$ 24,193 | \$ - | \$ - | \$ 24,193 |
| Charges for services | | | | |
| Sale of lots/Internment fees | 12,655 | - | - | 12,655 |
| Interest | 388 | 7 | - | 395 |
| | 37,236 | 7 | - | 37,243 |
| Expenditures: | | | | |
| General Government | 38,845 | - | - | 38,845 |
| Debt Service - | | | | |
| Principal | - | - | 22,733 | 22,733 |
| Interest | - | - | 824 | 824 |
| | 38,845 | - | 23,557 | 62,402 |
| Revenues over (under) expenditures | (1,609) | 7 | (23,557) | (25,159) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 9,796 | 5,442 | 23,557 | 38,795 |
| Transfers out | (8,000) | (23,557) | - | (31,557) |
| Total Other Financing Sources (Uses) | 1,796 | (18,115) | 23,557 | 7,238 |
| Net Change in Fund Balances | 187 | (18,108) | - | (17,921) |
| Fund Balances at beginning of year | 36,091 | 43,212 | - | 79,303 |
| Fund Balances at end of year | \$ 36,278 | \$ 25,104 | \$ - | \$ 61,382 |

VILLAGE OF LEXINGTON, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CEMETERY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------|---|
| Revenues: | | | | |
| Taxes | \$ 24,174 | \$ 24,190 | \$ 24,193 | \$ 3 |
| Charges for services - | | | | |
| Sale of lots / Internment fees | 10,800 | 12,822 | 12,655 | (167) |
| Interest | 150 | 344 | 388 | 44 |
| Total Revenues | 35,124 | 37,356 | 37,236 | (120) |
| Expenditures: | | | | |
| General Government - | | | | |
| Salaries | 9,271 | 9,599 | 8,082 | 1,517 |
| Fringe benefits | 3,714 | 3,791 | 3,868 | (77) |
| Administrative fees | 4,483 | 4,281 | 4,310 | (29) |
| Insurance | 300 | 300 | 68 | 232 |
| Supplies | 921 | 3,800 | 3,500 | 300 |
| Equipment rental | 14,120 | 11,690 | 11,508 | 182 |
| Purchase of services | 2,800 | 5,027 | 5,927 | (900) |
| Lot buy back | 400 | 500 | 600 | (100) |
| Repairs and maintenance | 1,000 | 200 | - | 200 |
| Other | 800 | 1,042 | 982 | 60 |
| Total Expenditures | 37,809 | 40,230 | 38,845 | 1,385 |
| Revenues under expenditures | (2,685) | (2,874) | (1,609) | 1,265 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 10,189 | 10,189 | 9,796 | (393) |
| Transfers out | (8,000) | (8,000) | (8,000) | - |
| Total Other Financing Sources | 2,189 | 2,189 | 1,796 | (393) |
| Net Change in Fund Balance | (496) | (685) | 187 | 872 |
| Fund Balance at beginning of year | 36,091 | 36,091 | 36,091 | - |
| Fund Balance at end of year | \$ 35,595 | \$ 35,406 | \$ 36,278 | \$ 872 |

COMPONENT UNIT

VILLAGE OF LEXINGTON, MICHIGAN

**BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2017**

Assets:

| | | |
|---------------------------|----|----------------------|
| Cash and cash equivalents | \$ | 82,610 |
| Prepaid expenditures | | <u>350</u> |
| Total Assets | \$ | <u><u>82,960</u></u> |

Liabilities:

| | | |
|------------------|----|--------------|
| Accounts payable | \$ | <u>1,250</u> |
|------------------|----|--------------|

Fund Balance:

| | | |
|--------------------|--|----------------------|
| Nonspendable for - | | |
| Prepays | | 350 |
| Unrestricted | | <u>81,360</u> |
| Total Fund Balance | | <u><u>81,710</u></u> |

| | | |
|------------------------------------|----|----------------------|
| Total Liabilities and Fund Balance | \$ | <u><u>82,960</u></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, 2017**

| | | |
|---|----|-----------------------|
| Fund Balance | \$ | 81,710 |
| 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 | | 407,266 |
| Accumulated depreciation | (| <u>53,291)</u> |
| Net Position of governmental activities | \$ | <u><u>435,685</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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Amended Budget Positive (Negative) |
|-----------------------------------|--------------------|------------------|------------------|---|
| Revenues: | | | | |
| Taxes | \$ 103,679 | \$ 103,679 | \$ 110,420 | \$ 6,741 |
| Other | - | - | 19,925 | 19,925 |
| | <u>103,679</u> | <u>103,679</u> | <u>130,345</u> | <u>26,666</u> |
| Expenditures: | | | | |
| Public Works | 101,344 | 103,322 | 93,424 | 9,898 |
| Capital Outlay | 150,000 | 142,000 | 138,147 | 3,853 |
| | <u>251,344</u> | <u>245,322</u> | <u>231,571</u> | <u>13,751</u> |
| Net Change in Fund Balance | (147,665) | (141,643) | (101,226) | 40,417 |
| Fund Balance at beginning of year | <u>182,936</u> | <u>182,936</u> | <u>182,936</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 35,271</u> | <u>\$ 41,293</u> | <u>\$ 81,710</u> | <u>\$ 40,417</u> |

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, 2017**

| | |
|---|------------------|
| Net change in fund balance | \$(101,226) |
| <p>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.</p> | |
| Capital outlay | 138,147 |
| Depreciation | <u>(13,544)</u> |
| Change in net position of governmental activities | <u>\$ 23,377</u> |