

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**ANNUAL FINANCIAL REPORT**  
**with Supplementary Information**

**FOR THE YEAR ENDED JUNE 30, 2021**

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

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**JUNE 30, 2021**

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**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lexington, Michigan (the "Village"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lexington, Michigan, as of June 30, 2021 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.

## ***Implementation of GASB Statement No. 84***

As discussed in Note 17 to the financial statements, the Village implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, for 2021. This statement provided guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how those activities should be reported. As a result, an OPEB trust account held at a service provider that was not previously reported within the financial reporting entity is now reported as a fiduciary activity. Our opinion is not modified with respect to this matter.

## ***Other Matters***

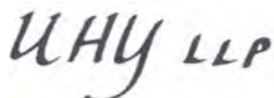
### ***Required Supplementary Information***

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

### ***Supplementary Information***

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

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



Port Huron, Michigan  
December 8, 2021

# VILLAGE OF LEXINGTON, MICHIGAN

## Management's Discussion and Analysis

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### 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, 2021. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the Village. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Village's government, reporting the Village's operations in more detail than the government-wide statements.

#### *Government-wide Financial Statements*

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

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

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

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

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

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

#### *Fund Financial Statements*

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

The Village has three 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.

**Fiduciary Fund** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### FINANCIAL OVERVIEW (Government-wide financial analysis)

The Village has combined total net position of \$8,368,770, with governmental activities comprising \$1,713,550 and business-type activities making up \$6,655,220 of the total net position at June 30, 2021. This is a net increase of \$652,861 over 2020. In a condensed format, the table below shows the information presented on the statements of net position as of the June 30, 2021 and 2020:

#### In Thousands

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
<b>Assets</b>				
Current and other assets	\$ 2,226	\$ 1,846	\$ 3,208	\$ 2,715
Restricted assets	-	-	568	532
Capital assets	1,478	1,558	6,457	6,700
Total assets	<u>3,704</u>	<u>3,404</u>	<u>10,233</u>	<u>9,947</u>
<b>Deferred Outflows of Resources</b>	<u>132</u>	<u>114</u>	<u>119</u>	<u>106</u>
<b>Liabilities</b>				
Other liabilities	79	28	134	144
Non-current liabilities	1,888	1,848	3,419	3,635
Total liabilities	<u>1,967</u>	<u>1,876</u>	<u>3,553</u>	<u>3,779</u>
<b>Deferred Inflows of Resources</b>	<u>155</u>	<u>102</u>	<u>144</u>	<u>98</u>
<b>Net Position</b>				
Net investment in capital assets	1,478	1,558	5,112	5,171
Restricted	1,742	1,453	568	532
Unrestricted (Deficit)	(1,506)	(1,471)	975	473
Total net position	<u>\$ 1,714</u>	<u>\$ 1,540</u>	<u>\$ 6,655</u>	<u>\$ 6,176</u>

The Village's governmental activities experienced an increase in net position of \$173,957 for the year ended June 30, 2021. The Village's business-type activities experienced an increase in net position of \$478,904 for the year ended June 30, 2021.

The following table shows the changes in net position for 2021 and 2020:

**In Thousands**

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 379	\$ 364	\$ 2,433	\$ 2,289
Operating grant and contributions	193	215	-	-
Capital grants and contributions	-	2	51	48
General revenue:				
Property taxes	766	785	-	-
Unrestricted grants	135	116	-	-
Unrestricted investment income	1	15	-	9
<b>Total Revenue</b>	<u>1,474</u>	<u>1,497</u>	<u>2,484</u>	<u>2,346</u>
<b>Program Expenses</b>				
General government	231	243	-	-
Public safety	504	538	-	-
Public works	541	543	-	-
Health and welfare	30	32	-	-
Community and economic development	9	101	-	-
Recreation and cultural	81	48	-	-
Other activities	10	26	-	-
Water, sewer, and mobile home park	-	-	1,899	2,040
<b>Total Program Expenses</b>	<u>1,406</u>	<u>1,531</u>	<u>1,899</u>	<u>2,040</u>
<b>Revenue over (under) expenses</b>	68	(34)	585	306
<b>Transfers</b>	106	71	(106)	(71)
<b>Changes in net position</b>	<u>\$ 174</u>	<u>\$ 37</u>	<u>\$ 479</u>	<u>\$ 235</u>

***Governmental Activities***

Revenues for governmental activities including transfers totaled \$1,579,756 in 2021, compared to \$1,567,476 in 2020, representing an increase of \$12,280 from the prior year. The largest revenue source was from taxes in the amount of \$766,160, a decrease of \$19,116 from 2020. The next largest revenue source was from charges for services of \$379,314, an increase of \$15,393 from 2020. Expenditures for governmental activities totaled \$1,405,799 in 2021, compared to \$1,530,758 in 2020, representing a decrease of \$124,959.

***Business-type Activities***

The Village has three business-type activities, the water, sewer, and mobile home park operations. Total revenue, including interest income and capital contributions, was \$2,483,393 and expenses, including transfers, were \$2,004,489, for an increase in net position of \$478,904.



## **FINANCIAL ANALYSIS OF MAJOR VILLAGE FUNDS**

### ***Governmental Funds***

The General Fund completed the year with a fund balance of \$420,867, which was an increase of \$93,704 from the prior year, with \$28,265 classified as nonspendable for prepaid expenditures, \$28,108 restricted for the Metro Authority, and the remaining amount of \$364,494 unassigned. The Village's other major governmental fund was the Municipal Street Fund. This fund completed the year with a restricted fund balance of \$687,829, which was an increase of \$81,176 from the prior year.

### ***Proprietary Funds***

The Village administers three major proprietary (enterprise) funds consisting of the Sewer, Water, and Mobile Home Park Funds. The Sewer Fund completed the year with a net position of \$1,439,415 at June 30, 2021 and a change in net position for the year of \$196,771. The Sewer Fund's unrestricted net position improved by \$193,364 from \$231,835 at June 30, 2020 to \$425,199 at June 30, 2021. The Water Fund completed the year with a net position of \$3,293,272 at June 30, 2021 and a change in net position for the year of \$83,366. The Water Fund's unrestricted deficit, a component of net position, improved by \$84,527 from \$(503,341) at June 30, 2020 to \$(418,814) at June 30, 2021. The Mobile Home Park Fund completed the year with a net position of \$1,922,533 at June 30, 2021 and a change in net position for the year of \$198,767. The Mobile Home Park Fund's unrestricted net position improved by \$224,505 from \$744,259 at June 30, 2020 to \$968,764 at June 30, 2021.

## **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 \$110,489 to \$97,664. Budgeted expenditures for the clerk department increased by \$11,754, the reimbursements from other funds decreased by \$29,947, and parks and recreation increased by \$42,719. The actual result was a net change in fund balance of \$93,704 or \$3,960 less than the final budgeted balance.

Since the budget and amended budgets are estimates of what is expected, there are differences between budgets and actual results. There were no significant differences.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The Village had \$7,935,051 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2021. The investment in capital assets 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 \$262,640 of capital assets, \$107,574 in the governmental activities, and \$155,066 in the business-type activities. The governmental activities additions consisted of \$10,000 for parking lot improvements, \$6,385 for police equipment, \$29,990 for a street drain project, \$12,700 for tennis court improvements, and \$48,499 for DPW equipment. The business-type activities additions were a result of \$149,208 for sewer and water system construction in progress and \$5,858 in sewer equipment.

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

### ***Long-term Debt***

At year-end, the Village had \$1,345,701 in bonds and notes outstanding, versus \$1,529,052 last year, a decrease of \$183,351. No new debt was issued during the year.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Village of Lexington, population 1,011 (2019 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 been using its new master plan and updated zoning ordinances to assist incoming business owners with their local developmental needs. The Village is also continuing its efforts to finalize their redevelopment ready certification status with the State. A strong partnership with the DNR for future renovations and a redevelopment plan is underway, the new DDA plan is in process, and the parks and recreation plan will be getting started. There is a great deal of positive redevelopment happening within the community, which is a direct reflection of the hard work by all the staff and community volunteers getting the community planning documents updated with the current vision.

Two major projects scheduled for completion during the fiscal year are a sewer extension to the Village's northern boundary along M-25 and upgrades to our water treatment plant. The extension of sewer to our northern border along M-25 will provide access to sewer for future development on currently vacant property. Upgrades to our water treatment plant are necessary to facilitate growth as we look at the sale of water to more of the neighboring communities.

The Village 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.

Providing all the public services found in a large city, Village residents enjoy an exemplary quality of life made possible by decades of sound fiscal management. The Village's elected and appointed officials consider many factors when setting the budget, including tax rates and fees that will be charged for the Village's activities.

## **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](mailto:treasurer@villageoflexington.com).

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF NET POSITION JUNE 30, 2021

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,120,596	\$ 2,771,551	\$ 4,892,147	\$ 218,856
Receivables	87,226	171,680	258,906	120
Prepaid expenditures	33,067	26,457	59,524	-
Internal balances	( 14,769)	14,769	-	-
Contracts receivable- reserved capacity	-	223,251	223,251	-
Restricted assets -				
Cash and cash equivalents	-	568,222	568,222	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	320,896	190,113	511,009	-
Assets being depreciated	1,156,605	6,267,437	7,424,042	280,866
Total Assets	3,703,621	10,233,480	13,937,101	499,842
<b>Deferred Outflows of Resources:</b>				
Related to the pension plan	63,531	49,166	112,697	-
Related to the OPEB plan	68,188	69,704	137,892	-
Total Deferred Outflows of Resources	131,719	118,870	250,589	-
<b>Liabilities:</b>				
Payables and accrued liabilities	66,391	21,141	87,532	5,200
Accrued interest	-	7,537	7,537	-
Advances and deposits	12,750	43,494	56,244	-
Unearned revenues	-	62,053	62,053	-
Non-current liabilities -				
Due within one year	-	190,351	190,351	-
Due in more than one year	-	1,155,350	1,155,350	-
Accrued vacation and sick pay	70,110	66,245	136,355	-
Net pension liability	684,024	529,362	1,213,386	-
Net OPEB liability	1,133,313	1,158,468	2,291,781	-
Unearned revenues	-	319,324	319,324	-
Total Liabilities	1,966,588	3,553,325	5,519,913	5,200
<b>Deferred Inflows of Resources:</b>				
Related to the pension plan	59,775	46,260	106,035	-
Related to the OPEB plan	95,427	97,545	192,972	-
Total Deferred Inflows of Resources	155,202	143,805	299,007	-
<b>Net Position:</b>				
Net investment in capital assets	1,477,501	5,111,849	6,589,350	280,866
Restricted -				
Metro Authority	28,108	-	28,108	-
Streets	1,624,188	-	1,624,188	-
Cemetery	89,815	-	89,815	-
Meter replacement	-	71,850	71,850	-
Equipment replacement	-	435,248	435,248	-
Debt retirement	-	61,124	61,124	-
Unrestricted (Deficit)	( 1,506,062)	975,149	( 530,913)	213,776
Total Net Position	\$ 1,713,550	\$ 6,655,220	\$ 8,368,770	\$ 494,642

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

**VILLAGE OF LEXINGTON, MICHIGAN**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 231,138	\$ 11,814	\$ -	\$ -
Public safety	503,379	122,404	52,522	-
Public works	541,533	235,973	139,639	-
Health and welfare	30,117	-	-	-
Community and economic development	9,057	400	-	-
Recreation and culture	80,575	8,723	1,000	-
Other activities	10,000	-	-	-
Total Governmental Activities	1,405,799	379,314	193,161	-
Business-type Activities:				
Sewer	253,706	520,430	-	-
Water	1,026,186	1,063,785	-	50,590
Mobile Home Park	618,898	848,307	-	-
Total business-type activities	1,898,790	2,432,522	-	50,590
Total Primary Government	\$ 3,304,589	\$ 2,811,836	\$ 193,161	\$ 50,590
<b>Component Units</b>				
Downtown Development Authority	\$ 106,257	\$ 1,320	\$ -	\$ -
General revenues:				
Property taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment income				
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			
Governmental Activities	Business-type Activities	Total	Component Unit (DDA)
\$( 219,324)	\$ -	\$( 219,324)	\$ -
( 328,453)	-	( 328,453)	-
( 165,921)	-	( 165,921)	-
( 30,117)	-	( 30,117)	-
( 8,657)	-	( 8,657)	-
( 70,852)	-	( 70,852)	-
( 10,000)	-	( 10,000)	-
<u>( 833,324)</u>	<u>-</u>	<u>( 833,324)</u>	<u>-</u>
-	266,724	266,724	-
-	88,189	88,189	-
-	229,409	229,409	-
<u>-</u>	<u>584,322</u>	<u>584,322</u>	<u>-</u>
<u>( 833,324)</u>	<u>584,322</u>	<u>( 249,002)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 104,937)</u>
766,160	-	766,160	159,220
135,024	-	135,024	-
398	281	679	-
105,699	( 105,699)	-	-
<u>1,007,281</u>	<u>( 105,418)</u>	<u>901,863</u>	<u>159,220</u>
173,957	478,904	652,861	54,283
<u>1,539,593</u>	<u>6,176,316</u>	<u>7,715,909</u>	<u>440,359</u>
<u>\$ 1,713,550</u>	<u>\$ 6,655,220</u>	<u>\$ 8,368,770</u>	<u>\$ 494,642</u>

**VILLAGE OF LEXINGTON, MICHIGAN**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General	Municipal Street	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 375,964	\$ 685,027	\$ 1,059,605	\$ 2,120,596
Receivables -				
Other	13,847	-	-	13,847
Accounts	32,508	-	-	32,508
Due from other governmental units	18,747	-	22,124	40,871
Prepaid expenditures	28,265	2,802	2,000	33,067
 Total Assets	 \$ 469,331	 \$ 687,829	 \$ 1,083,729	 \$ 2,240,889
<b>Liabilities:</b>				
Accounts payable	\$ 15,218	\$ -	\$ 45,179	\$ 60,397
Accrued liabilities	5,727	-	267	5,994
Advances and deposits	12,750	-	-	12,750
Advance from other funds	14,769	-	-	14,769
 Total Liabilities	 48,464	 -	 45,446	 93,910
<b>Fund Balances:</b>				
Nonspendable for -				
Prepays	28,265	2,802	2,000	33,067
Restricted for -				
Streets	-	685,027	934,967	1,619,994
Metro Authority	28,108	-	-	28,108
Cemetery	-	-	89,815	89,815
Committed for -				
Capital	-	-	11,501	11,501
Unassigned -				
General Fund	364,494	-	-	364,494
Total Fund Balances	420,867	687,829	1,038,283	2,146,979
 Total Liabilities and Fund Balances	 \$ 469,331	 \$ 687,829	 \$ 1,083,729	 \$ 2,240,889

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

# VILLAGE OF LEXINGTON, MICHIGAN

## RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2021

Fund Balances - total governmental funds	\$	2,146,979
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Capital assets		4,223,885
Accumulated depreciation	(	2,746,384)
Certain pension/OPEB contributions and changes in pension/OPEB plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position, but not reported in the governmental funds.		
Deferred outflows of resources		131,719
Deferred inflows of resources	(	155,202)
Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore, are not reported in the funds.		
Net pension liability	(	684,024)
Net OPEB liability	(	1,133,313)
Accrued compensated absences	(	70,110)
Net Position of governmental activities	\$	<u>1,713,550</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, 2021**

	General	Municipal Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 335,688	\$ 134,103	\$ 117,484	\$ 587,275
Intergovernmental	177,592	-	135,120	312,712
Charges for services	271,559	12,073	26,320	309,952
Fines and forfeits	3,128	-	-	3,128
Interest and rent	515	-	283	798
Other	236,961	-	4,323	241,284
Total Revenues	<u>1,025,443</u>	<u>146,176</u>	<u>283,530</u>	<u>1,455,149</u>
<b>Expenditures:</b>				
Current -				
General government	185,630	-	-	185,630
Public safety	455,921	-	-	455,921
Public works	206,196	-	235,970	442,166
Health and welfare	30,117	-	-	30,117
Community and economic development	9,057	-	-	9,057
Recreation and cultural	68,726	-	-	68,726
Other	10,000	-	-	10,000
Capital outlay	-	-	48,499	48,499
Total Expenditures	<u>965,647</u>	<u>-</u>	<u>284,469</u>	<u>1,250,116</u>
Revenues over (under) expenditures	<u>59,796</u>	<u>146,176</u>	<u>( 939)</u>	<u>205,033</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	15,000	-	178,872	193,872
Transfers out	-	( 65,000)	( 23,173)	( 88,173)
Insurance proceeds	18,908	-	-	18,908
Total Other Financing Sources (Uses)	<u>33,908</u>	<u>( 65,000)</u>	<u>155,699</u>	<u>124,607</u>
Net Change in Fund Balances	93,704	81,176	154,760	329,640
Fund Balances at beginning of year	<u>327,163</u>	<u>606,653</u>	<u>883,523</u>	<u>1,817,339</u>
Fund Balances at end of year	<u>\$ 420,867</u>	<u>\$ 687,829</u>	<u>\$ 1,038,283</u>	<u>\$ 2,146,979</u>

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

**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, 2021**

Net change in fund balances - total governmental funds	\$ 329,640
<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	107,574
Depreciation expense	( 174,119)
Loss on disposal of capital asset	( 14,025)
<p>Change in deferred outflows of resources and deferred inflows of resources as a result of changes in differences between projected and actual earnings, changes in assumptions, difference between expected and actual experience, and contributions made subsequent to the measurement date to the pension and OPEB plans</p>	
	( 34,999)
<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 pension liability	( 5,322)
Increase in net OPEB liability	( 26,286)
Increase in accrued compensated absences	( 8,506)
Change in net position of governmental activities	<u>\$ 173,957</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, 2021

Assets:	Sewer	Water	Mobile Home Park	Total
Current Assets -				
Cash and cash equivalents	\$ 825,651	\$ 885,709	\$ 1,060,191	\$ 2,771,551
Accounts receivable	58,885	111,677	1,118	171,680
Prepaid expenses	4,290	15,694	6,473	26,457
	888,826	1,013,080	1,067,782	2,969,688
Restricted Assets -				
Cash and cash equivalents	59,134	509,088	-	568,222
Noncurrent Assets -				
Advance to other funds	-	14,769	-	14,769
Capital assets, net	1,140,082	4,242,998	1,074,470	6,457,550
	1,140,082	4,257,767	1,074,470	6,472,319
Other Assets -				
Contracts receivable - reserved capacity	-	223,251	-	223,251
Total Assets	2,088,042	6,003,186	2,142,252	10,233,480
<b>Deferred Outflows of Resources:</b>				
Related to the pension plan	9,117	38,430	1,619	49,166
Related to the OPEB plan	20,060	48,590	1,054	69,704
Total Deferred Outflows of Resources	29,177	87,020	2,673	118,870
<b>Liabilities:</b>				
Current Liabilities -				
Accounts payable	6,930	10,087	1,049	18,066
Accrued expenses	337	2,233	505	3,075
Accrued interest	1,072	5,920	545	7,537
Bonds payable (current portion)	20,350	109,650	-	130,000
Notes payable (current portion)	-	-	60,351	60,351
Deposits payable	-	-	43,494	43,494
Unearned revenue (current portion)	-	53,927	8,126	62,053
Total Current Liabilities	28,689	181,817	114,070	324,576
Long-term Liabilities (less current portions) -				
Accrued vacation and sick pay	16,262	39,959	10,024	66,245
Net pension liability	98,154	413,770	17,438	529,362
Net OPEB liability	333,398	807,558	17,512	1,158,468
Unearned revenue (net of current portion)	-	319,324	-	319,324
Bonds payable (net of current portion)	164,650	930,350	-	1,095,000
Notes payable (net of current portion)	-	-	60,350	60,350
Total Long-term Liabilities	612,464	2,510,961	105,324	3,228,749
Total Liabilities	641,153	2,692,778	219,394	3,553,325
<b>Deferred Inflows of Resources:</b>				
Related to the pension plan	8,578	36,158	1,524	46,260
Related to the OPEB plan	28,073	67,998	1,474	97,545
Total Deferred Inflows of Resources	36,651	104,156	2,998	143,805
<b>Net Position:</b>				
Net investment in capital assets	955,082	3,202,998	953,769	5,111,849
Restricted for meter replacement	36,518	35,332	-	71,850
Restricted for equipment replacement	-	435,248	-	435,248
Restricted for debt service	22,616	38,508	-	61,124
Unrestricted (Deficit)	425,199	( 418,814)	968,764	975,149
Total Net Position	\$ 1,439,415	\$ 3,293,272	\$ 1,922,533	\$ 6,655,220

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, 2021**

	Sewer	Water	Mobile Home Park	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 494,450	\$ 999,928	\$ 843,742	\$ 2,338,120
Other	25,980	17,685	4,565	48,230
Total Operating Revenues	<u>520,430</u>	<u>1,017,613</u>	<u>848,307</u>	<u>2,386,350</u>
<b>Operating Expenses:</b>				
Salaries	55,787	206,160	47,491	309,438
Fringe benefits	23,112	211,519	46,615	281,246
Administrative fees	24,082	68,423	33,224	125,729
Contracted services	1,749	16,423	12,325	30,497
Insurance	1,984	24,697	512	27,193
Repairs and maintenance	2,682	54,897	-	57,579
Equipment rental	9,801	2,015	5,794	17,610
Supplies	16,352	84,274	4,727	105,353
Utilities	42,781	45,908	115,385	204,074
Rubbish expenditures	-	-	34,659	34,659
Mobile home park taxes	-	-	37,653	37,653
Flow back charges	-	24,935	-	24,935
Miscellaneous	2,015	10,446	8,704	21,165
Land use fee	-	-	178,886	178,886
Depreciation	66,037	245,894	86,090	398,021
Total Operating Expenses	<u>246,382</u>	<u>995,591</u>	<u>612,065</u>	<u>1,854,038</u>
Operating Income	<u>274,048</u>	<u>22,022</u>	<u>236,242</u>	<u>532,312</u>
<b>Non-Operating Revenue (Expenses):</b>				
Interest income	47	177	57	281
Interest expense and fiscal charges	( 7,324)	( 30,595)	( 6,833)	( 44,752)
Tap fees	-	12,853	-	12,853
Antenna leases	-	33,319	-	33,319
Total Non-Operating Revenue (Expenses)	<u>( 7,277)</u>	<u>15,754</u>	<u>( 6,776)</u>	<u>1,701</u>
Net Income Before Contribution and Transfers	266,771	37,776	229,466	534,013
<b>Capital Contribution</b>	-	50,590	-	50,590
<b>Transfers:</b>				
Transfers out	( 70,000)	( 5,000)	( 30,699)	( 105,699)
Change in Net Position	196,771	83,366	198,767	478,904
Net Position at beginning of year	<u>1,242,644</u>	<u>3,209,906</u>	<u>1,723,766</u>	<u>6,176,316</u>
Net Position end of year	<u>\$ 1,439,415</u>	<u>\$ 3,293,272</u>	<u>\$ 1,922,533</u>	<u>\$ 6,655,220</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, 2021**

	Sewer	Water	Mobile Home Park	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers	\$ 518,632	\$ 975,976	\$ 838,213	\$ 2,332,821
Cash payments to suppliers	( 110,948)	( 294,976)	( 250,085)	( 656,009)
Cash payments to employees	( 99,689)	( 353,606)	( 90,004)	( 543,299)
Land use fee	-	-	( 178,886)	( 178,886)
Net Cash Provided by Operating Activities	307,995	327,394	319,238	954,627
<b>Cash Flows From Non-capital Financing Activities:</b>				
Antenna leases	-	33,319	-	33,319
Transfers from/to other funds	( 70,000)	( 5,000)	( 30,699)	( 105,699)
Net Cash Provided (Used) by Non-Capital Financing Activities	( 70,000)	28,319	( 30,699)	( 72,380)
<b>Cash Flows From Capital and Related to Financing Activities:</b>				
Bond and note payments	( 19,610)	( 103,390)	( 60,351)	( 183,351)
Interest payments	( 7,579)	( 31,902)	( 7,923)	( 47,404)
Equipment replacement fees	-	50,590	-	50,590
Loan principal received	-	6,900	-	6,900
Tap fees	-	12,853	-	12,853
Acquisition and construction of capital assets	( 51,370)	( 103,696)	-	( 155,066)
Net Cash Used by Capital and Related Financing Activities	( 78,559)	( 168,645)	( 68,274)	( 315,478)
<b>Cash Flows From Investing Activities:</b>				
Interest earned	47	177	57	281
Net Increase in Cash and Cash Equivalents	159,483	187,245	220,322	567,050
Cash and Cash Equivalents at Beginning of Year	725,302	1,207,552	839,869	2,772,723
Cash and Cash Equivalents at End of Year	\$ 884,785	\$ 1,394,797	\$ 1,060,191	\$ 3,339,773
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income for the year	\$ 274,048	\$ 22,022	\$ 236,242	\$ 532,312
Adjustments to reconcile operating income to net cash provided by operating activities -				
Depreciation	66,037	245,894	86,090	398,021
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Receivables	( 1,798)	12,290	( 1,048)	9,444
Deferred outflows of resources	( 356)	( 12,577)	( 299)	( 13,232)
Prepaid expenses	( 557)	19,915	2,127	21,485
Accounts payable/accrued expenses	( 8,945)	17,127	771	8,953
Unearned revenue	-	( 53,927)	( 13,500)	( 67,427)
OPEB liability	26,348	50,630	10,467	87,445
Net pension liability	( 55,514)	( 8,818)	( 8,174)	( 72,506)
Deposits	-	-	4,454	4,454
Deferred inflows of resources	8,732	34,838	2,108	45,678
Net Cash Provided by Operating Activities	\$ 307,995	\$ 327,394	\$ 319,238	\$ 954,627

The accompanying notes are an integral part of the financial statements

**VILLAGE OF LEXINGTON, MICHIGAN**

**FIDUCIARY FUND  
OTHER POSTEMPLOYMENT TRUST FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

**Assts:**

Investments	\$ 190,372
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**Net Position:**

Restricted for other postemployment benefits	\$ 190,372
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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

**Additions:**

Employer contributions	\$ 25,000
Investment income	36,465
Total Additions	<u>61,465</u>

**Net Position:**

Beginning of year, restated	<u>128,907</u>
End of year	<u>\$ 190,372</u>

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity -**

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

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

**DISCRETELY PRESENTED COMPONENT UNIT -**

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

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

**B. Government-wide and Fund Financial Statements -**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from these government-wide statements. *Governmental activities*, which are normally 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 a legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter one is excluded from the government-wide financial statements. 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied and due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues available if they are normally collected within 60 days after the year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

The Village reports the following major governmental funds:

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

**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.

The Village reports the following major proprietary funds:

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

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

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



**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

Additionally, the Village reports the following fund types:

**Governmental Fund Types -**

**Special Revenue Funds** - are 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. The non-major special revenue funds of the Village are: the Major and Local Street Funds, used to account for the revenue received from the State of Michigan under ACT 51, which are specifically earmarked for construction and maintenance of roads designated as major and local streets in the Village; the County Road Fund, used to account for the County-wide millage restricted for County road maintenance and improvements; and the Cemetery Fund, used to account for millage revenue and fees committed by Village Council for maintenance and improvements of the Village Cemetery.

**Capital Projects Fund** - is used to account for revenue and other financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities or other capital assets not being financed by proprietary and trust funds.

**Fiduciary Fund Type -**

**Other Postemployment Trust Fund** - is used to account for the accumulation and investment of funds to provide for the funding of healthcare benefits for retirees of the Village.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales, services, and rent. Operating expenses include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

**Deposits and Investments -**

The Village pools the cash reserves of the various funds to facilitate cash management and investment activity.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, and external investment pools. The investment trusts 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.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at their carrying amount, which reasonably approximates fair value.

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."

**Prepaid Items -**

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

**Property Tax Calendar -**

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

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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 \$5,000 (\$1,000 prior to 2021) 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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

**Compensated Absences -**

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

**Deferred Outflows/Inflows of Resources -**

In addition to assets, the statement of net position and balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Village reports deferred outflows of resources related to the net pension and net other postemployment benefits (OPEB) liabilities. These deferred outflow items are amortized over the expected remaining service lives of the participants, with the exceptions of the net difference between expected and actual plan investment earnings, which is amortized over five (5) years and contributions to the pension plan made subsequent to the measurement date which will be recognized in the next measurement period.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

In addition to liabilities, the statement of net position and balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Village reports deferred inflows of resources related to the net pension and net OPEB liabilities. These deferred inflow items are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan earnings, which is amortized over five (5) years.

**Long-term Obligations -**

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

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

**Pension -**

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

**Other Postemployment Benefits (OPEB) -**

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

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**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.

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

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

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

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

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

**Estimates -**

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

**Upcoming Accounting Pronouncement -**

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

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the Village's June 30, 2022 fiscal year. The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use of an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgetary Information -**

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

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

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

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

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

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

The Village does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

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, 2021, the Village had an overage that exceeded these thresholds as follows:

	Final Amended Budget	Amount Expended	Budget Variance
Primary Government:			
Major Street Fund -			
Transfers Out	\$ 19,000	\$ 23,173	\$ 4,173

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

**Carrying Amount -**

As of June 30, 2021, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Total</u>
<b>Deposits:</b>				
Cash on Hand -				
Petty Cash	\$ 300	\$ -	\$ -	\$ 300
Deposits with Financial Institutions	<u>5,253,786</u>	<u>218,856</u>	<u>-</u>	<u>5,472,642</u>
Total Deposits	<u>5,254,086</u>	<u>218,856</u>	<u>-</u>	<u>5,472,942</u>
<b>Investments:</b>				
Investment Trust Fund	206,283	-	-	206,283
Interest in Pooled Investments	<u>-</u>	<u>-</u>	<u>190,372</u>	<u>190,372</u>
Total Investments	<u>206,283</u>	<u>-</u>	<u>190,372</u>	<u>396,655</u>
	<u>\$ 5,460,369</u>	<u>\$ 218,856</u>	<u>\$ 190,372</u>	<u>\$ 5,869,597</u>
<b>Reconciliation to Combined Balance Sheet:</b>				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 300	\$ -	\$ -	\$ 300
Cash in Checking/Savings	5,253,786	218,856	-	5,472,642
Investment Trust Fund	<u>206,283</u>	<u>-</u>	<u>-</u>	<u>206,283</u>
	5,460,369	218,856	-	5,679,225
Reported as Investments -				
Interest in Pooled Investments	<u>-</u>	<u>-</u>	<u>190,372</u>	<u>190,372</u>
	<u>\$ 5,460,369</u>	<u>\$ 218,856</u>	<u>\$ 190,372</u>	<u>\$ 5,869,597</u>

**Deposits with Financial Institutions -**

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.

**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, 2021, the bank balance of the Village's deposits was \$5,528,127, of which \$5,031,753 was insured by depository insurance with the remaining balance of \$496,374 uninsured and uncollateralized.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Investments -**

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 Post Employment Benefit Trust Fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain reverse purchase agreements, certain State and local government obligations, and certain other specified investment vehicles. The Village has authorized investments in a retiree healthcare funding plan provided by the Municipal Employees' Retirement System (MERS). The funds in which the Village have invested are part of the MERS Retiree Health Funding Vehicle (RHFV), a diversified fund designed to provide reasonable growth and income while minimizing volatility for all MERS clients.

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.

***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.

***Custodial Credit Risk - Investments*** - is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of another party. The Village's investment policy does not address custodial credit risk.

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

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



**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

*Fair Value of Interest in Pooled Investments* - The Village had \$190,372 in shares or interest in the MERS Total Market Portfolio (interest in pooled investments) where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. MERS invests the assets in a manner that will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. Shares sold within 90 days of purchase are subject to a 2.00% redemption fee applied on a first-in, first-out basis.

*Investment Trust Fund* - The Village utilized the Michigan Liquid Asset Fund (MILAF), a comprehensive cash management service program developed exclusively for Michigan school districts and municipalities. MILAF is not subject to regulatory oversight and is not registered within the SEC, however, does issue a separate financial statement which can be obtained at [www.milaf.org](http://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, 2021, the Village has \$206,283 (carrying value) in the external investment pool with an average of one day to mature.

**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 2021 had a taxable value of \$53,041,614. The millage rates levied by the Village were 7.3842 for General Operating, 0.5903 for Municipal Streets, and 2.9533 for the Cemetery.

The County of Sanilac 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 as of June 30, 2021 are as follows:

	Governmental Activities	Business-type Activities
Other	\$ 13,847	\$ 171,680
Accounts	32,508	-
Due from other governmental units	40,871	-
	\$ 87,226	\$ 171,680

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:**

The composition of interfund balances as of June 30, 2021 is as follows:

**Advance From/To -**

Receivable Entity	Payable Entity	Amount
Water Fund	General Fund	<u>\$ 14,769 (A)</u>

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

**Transfers In and Out -**

Receiving Fund	Expending Fund	Amount
<b>Primary Government:</b>		
General Fund	Sewer Fund	\$ 10,000 (3)
General Fund	Water Fund	5,000 (3)
Major Street Fund	Municipal Street Fund	25,000 (1)
Major Street Fund	Mobile Home Park Fund	4,372 (1)
Local Street Fund	Major Street Fund	23,173 (2)
Local Street Fund	Municipal Street Fund	40,000 (1)
Local Street Fund	Mobile Home Park Fund	13,447 (1)
County Road Fund	Mobile Home Park Fund	7,784 (1)
Cemetery Fund	Mobile Home Park Fund	5,096 (1)
Capital Projects Fund	Sewer Fund	<u>60,000 (4)</u>
		<u>\$ 193,872</u>

- (1) To support operations and/or capital costs
- (2) Application of Act 51 revenue allocation
- (3) Sewer/Water sample proceeds over cost
- (4) Appropriation for capital from sewer dumping fees from private customers

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 7 - CAPITAL ASSETS:**

Capital asset activity of the Village for the year ended June 30, 2021 was as follows:

**Primary Government -**

	Balance July 1, 2020	Additions/ Adjustments	Disposals	Balance June 30, 2021
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 320,896	\$ -	\$ -	\$ 320,896
Capital assets, being depreciated:				
Buildings and building improvements	405,280	-	-	405,280
Improvements other than buildings	1,946,870	52,690	16,500	1,983,060
Machinery and equipment	449,884	54,884	-	504,768
Vehicles	<u>1,009,881</u>	<u>-</u>	<u>-</u>	<u>1,009,881</u>
Total capital assets being depreciated	<u>3,811,915</u>	<u>107,574</u>	<u>16,500</u>	<u>3,902,989</u>
Less accumulated depreciation for:				
Buildings and building improvements	346,508	8,588	-	355,096
Improvements other than buildings	1,001,607	90,221	2,475	1,089,353
Machinery and equipment	400,673	14,326	-	414,999
Vehicles	<u>825,952</u>	<u>60,984</u>	<u>-</u>	<u>886,936</u>
Total accumulated depreciation	<u>2,574,740</u>	<u>174,119</u>	<u>2,475</u>	<u>2,746,384</u>
Total capital assets being depreciated, net	<u>1,237,175</u>	<u>( 66,545)</u>	<u>14,025</u>	<u>1,156,605</u>
Governmental activities capital assets, net	<u>\$ 1,558,071</u>	<u>\$( 66,545)</u>	<u>\$ 14,025</u>	<u>\$ 1,477,501</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 17,495	\$ -	\$ -	\$ 17,495
Construction in progress	<u>23,410</u>	<u>149,208</u>	<u>-</u>	<u>172,618</u>
Total capital assets, not being depreciated	<u>40,905</u>	<u>149,208</u>	<u>-</u>	<u>190,113</u>
Capital assets, being depreciated:				
Buildings and improvements	112,752	-	-	112,752
Mobile home park	2,823,129	-	-	2,823,129
Utility systems	11,416,024	-	-	11,416,024
Machinery and equipment	<u>269,051</u>	<u>5,858</u>	<u>-</u>	<u>274,909</u>
Total capital assets being depreciated	<u>14,620,956</u>	<u>5,858</u>	<u>-</u>	<u>14,626,814</u>
Less accumulated depreciation for:				
Buildings and improvements	50,099	4,025	-	54,124
Mobile home park	1,688,149	83,392	-	1,771,541
Utility systems	6,057,933	289,635	-	6,347,568
Machinery and equipment	<u>165,175</u>	<u>20,969</u>	<u>-</u>	<u>186,144</u>
Total accumulated depreciation	<u>7,961,356</u>	<u>398,021</u>	<u>-</u>	<u>8,359,377</u>
Total capital assets being depreciated, net	<u>6,659,600</u>	<u>( 392,163)</u>	<u>-</u>	<u>6,267,437</u>
Business activities capital assets, net	<u>\$ 6,700,505</u>	<u>\$( 242,955)</u>	<u>\$ -</u>	<u>\$ 6,457,550</u>

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance</u> <u>June 30, 2021</u>
<b>Discretely Presented Component Unit -</b>				
Capital assets, being depreciated:				
Building and improvements	\$ 89,817	\$ -	\$ -	\$ 89,817
Improvements other than buildings	187,224	-	-	187,224
Equipment	<u>152,290</u>	<u>-</u>	<u>-</u>	<u>152,290</u>
Total capital assets being depreciated	<u>429,331</u>	<u>-</u>	<u>-</u>	<u>429,331</u>
Less accumulated depreciation for:				
Buildings and improvements	25,537	4,491	-	30,028
Improvements other than buildings	64,463	9,361	-	73,824
Equipment	<u>32,575</u>	<u>12,038</u>	<u>-</u>	<u>44,613</u>
Total accumulated depreciation	<u>122,575</u>	<u>25,890</u>	<u>-</u>	<u>148,465</u>
Component unit capital assets, net	<u>\$ 306,756</u>	<u>\$( 25,890)</u>	<u>\$ -</u>	<u>\$ 280,866</u>

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

Governmental Activities -	
General Government	\$ 18,845
Public Safety	31,117
Public Works	118,337
Recreation and Cultural	<u>5,820</u>
Total depreciation expense - Governmental Activities	<u>\$ 174,119</u>
Business-type Activities -	
Sewer Fund	\$ 66,037
Water Fund	245,894
Mobile Home Park Fund	<u>86,090</u>
Total depreciation expense - Business-type Activities	<u>\$ 398,021</u>

**NOTE 8 - PAYABLES:**

Payables at June 30, 2021 in the governmental and business-type activities as of June 30, 2021 are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Accounts payable	\$ 60,397	\$ 18,066
Accrued liabilities	<u>5,994</u>	<u>3,075</u>
	<u>\$ 66,391</u>	<u>\$ 21,141</u>

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - LONG-TERM DEBT:**

**Primary Government -**

The following is a summary of changes in the long-term liabilities (including current portions) for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
<b><u>Governmental Activities:</u></b>					
Governmental Fund -					
Other Liabilities:					
Accrued sick and vacation	\$ 61,604	\$ 8,506	\$ -	\$ 70,110	\$ -
<b><u>Business-type Activities:</u></b>					
Direct Borrowings -					
2018 Water Supply & Sanitary Sewer					
Refunding Bond (Sewer)	204,610	-	19,610	185,000	20,350
2018 Water Supply & Sanitary Sewer					
Refunding Bond (Water)	348,390	-	33,390	315,000	34,650
Other Direct Borrowings -					
1999 WSS Bonds/Contracts Payable	795,000	-	70,000	725,000	75,000
2002 Promissory Note (MHP)	181,052	-	60,351	120,701	60,351
Other Liabilities -					
Accrued sick and vacation	58,899	7,346	-	66,245	-
Total Business-type Activities	<u>1,587,951</u>	<u>7,346</u>	<u>183,351</u>	<u>1,411,946</u>	<u>190,351</u>
Total Primary Government	<u>\$ 1,649,555</u>	<u>\$ 15,852</u>	<u>\$ 183,351</u>	<u>\$ 1,482,056</u>	<u>\$ 190,351</u>

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

**Accrued Vacation and Sick Pay:**

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The governmental activities' portion of \$70,110, as well as the proprietary funds and business-type activities' portion of \$66,245, has been recorded as a long-term liability.

\$ 136,355

**2018 Water Supply and Sanitary Sewer Refunding Bond:**

In November 2018, the Village refinanced its 2013 promissory note for constructing and improvements to the sewer and water system. The principal refinanced was \$606,000 at an interest rate of 3.89%, due semi-annually. Principal payments are due starting September 1, 2019 through September 1, 2028 in annual installments ranging from \$55,000 to \$70,000.

\$ 500,000

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

The annual requirement for the 2018 Water Supply and Sanitary Sewer Refunding Bond at June 30, 2021 is as follows:

Year	Principal	Interest
2022	\$ 55,000	\$ 18,381
2023	55,000	16,241
2024	60,000	14,004
2025	60,000	11,670
2026	65,000	9,238
2027-2029	205,000	12,155
	\$ 500,000	\$ 81,689

**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 2.50%, payable semi-annually.

\$ 725,000

The annual requirement for the 1999 Drinking Water Revolving Loan at June 30, 2021 is as follows:

Year	Principal	Interest
2022	\$ 75,000	\$ 17,188
2023	75,000	15,313
2024	75,000	13,438
2025	80,000	11,500
2026	80,000	9,500
2027-2030	340,000	17,375
	\$ 725,000	\$ 84,314

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**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.

\$ 120,701

The annual requirement for the 2002 Mobile Home Park Promissory Note at June 30, 2021 is as follows:

Year	2002 MHP	
	Principal	Interest
2022	\$ 60,351	\$ 1,635
2023	60,350	-
	\$ 120,701	\$ 1,635

**NOTE 10 - PENSION PLANS:**

**Defined Benefit Plan:**

**Plan Descriptions -**

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

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense have been determined on the same basis as they are reported by the pension plan (the "Plan"). The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded when 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, 2020 was comprised of 5 active participants, 9 retirees and beneficiaries, and 4 vested inactive participants.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Benefits Provided -**

Retirement benefits are calculated as 2.50% 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, 2021 was \$9,839 per month for general employees, with fiscal year contributions of \$118,068.

**Net Pension Liability -**

The net pension liability of the Village has been measured as of December 31, 2020 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	\$ 3,029,554	\$ 1,748,984	\$ 1,280,570
Service cost	24,686	-	24,686
Interest on total pension liability	224,672	-	224,672
Net investment income (loss)	-	219,270	( 219,270)
Change in assumptions	107,323	-	107,323
Difference between expected and actual experience	( 91,672)	-	( 91,672)
Contributions from employer	-	105,552	( 105,552)
Contributions from employees	-	10,866	( 10,866)
Benefit payments	( 171,324)	( 171,324)	-
Administrative costs	-	( 3,495)	3,495
Ending balance	<u>\$ 3,123,239</u>	<u>\$ 1,909,853</u>	<u>\$ 1,213,386</u>

Plan fiduciary net position as a percentage of the total pension liability 61.15%



**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

For the year ended June 30, 2021, the Village recognized pension expense of \$129,108, including \$113,285 in the governmental activities and \$15,823 in the business-type activities and proprietary fund financial statements of the primary government. At June 30, 2021, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

<b>Primary Government</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Plan investments	\$ -	\$ 60,198
Contributions made subsequent to the measurement date	59,034	-
Difference between expected and actual experience	-	45,837
Change in assumptions	<u>53,663</u>	<u>-</u>
	<u>\$ 112,697</u>	<u>\$ 106,035</u>

The amounts of deferred outflows and 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:

2022	\$( 4,063)
2023	5,132
2024	( 35,729)
2025	<u>( 17,712)</u>
	<u>\$( 52,372)</u>

**Actuarial Assumptions -**

The total pension liability was determined by an actuarial valuation as of December 31, 2020. The valuation used the following actuarial assumptions based on the most recent study of Plan experience covering the period from January 1, 2014 through December 31, 2018.

**Salary Increases - 3.00%**

**Inflation - 2.50%**

**Investment Rate of Return - 7.35%**

**Mortality Rates -** Pub-2010 Mortality Table fully generational mortality improvements projected with Scale MP-2019.

**Discount Rate -** The discount rate used to measure the total pension liability was 7.60 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.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

The long-term expected real rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2020 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	60.00 %	3.15 %
Global Fixed Income	20.00	0.25
Private Investments	20.00	1.45

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Village, calculated using the discount rate of 7.60 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate.

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1 % Increase (8.60%)
Net Pension Liability of the Primary Government	\$ 1,544,164	\$ 1,213,386	\$ 930,646

**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, 2021 totaled \$25,922.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS:**

**Plan Description -**

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

Management of the OPEB Plan is provided by the Village Council, which consist of 7 members.

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

**Benefits Provided -**

The Village provides 100% of the health insurance premium to eligible employees upon retirement. Effective July 1, 2019, OPEB Plan members pay 20% of the cost of any increase in the health insurance premium over \$1,044 per month. Benefits will be received until Medicare age, at which time the Village will provide a Medicare supplement to the employee.

**Summary of Significant Accounting Policies -**

For purposes of measuring net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense, the fiduciary net position of the OPEB Plan and additions to/deductions from fiduciary net position have been determined as the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. The unfunded net OPEB liability is being amortized as a level percentage of payroll on a closed period with a remaining amortization period of 28 years.

**Contributions -**

During the year ended June 30, 2021, annually required contributions were \$190,581 and actual contributions of \$71,109 were made. The valuation rollforward, dated June 30, 2020, determined a required contribution of 12.92% of covered payroll. There were no required member contributions for fiscal 2021.

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

**Plan Membership -**

At June 30, 2020, OPEB Plan membership consisted of 13 active members and 7 inactive members or beneficiaries receiving benefits.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Investment Policy -**

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

The long-term expected rate of return on the OPEB Plan's investments was determined using a forward-looking estimate of capital market returns model for each investment's major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The adopted asset allocation policy and the best estimates of arithmetic real rates of return for each asset class as of June 30, 2021 are as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return Before Inflation
Global Equity	60.00 %	2.97 %
Global Fixed Income	20.00	0.48
Private Investments	20.00	1.40

**Methods and Assumptions -**

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

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

The total OPEB liability was determined by a simplified version of the entry age actuarial cost method valuation as of June 30, 2020, which used updated procedures to rollforward the estimated liability at June 30, 2021. The valuation rollforward used the following assumptions:

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

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

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control ([www.cdc.gov](http://www.cdc.gov)). The most recent data are the life tables for males and females, 2017 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 68, No. 7 dated June 24, 2019).

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

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on standards set by Michigan Public Act 202. Non-Medicare rates were estimated at 8.00 percent for 2022, decreasing by 0.25 percent every year to an ultimate trend rate of 4.50 percent in 2036 and the years thereafter. Medicare rates were estimated at 6.25 percent for 2022, decreasing by 0.25 percent every year to an ultimate trend rate of 4.50 percent in 2029 and the years thereafter.

Health Insurance Premiums - 2021 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate assumption of 3.50 percent was based on standards set by Michigan Public Act 202.

Discount Rate - A discount rate of 2.18% was used. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index.

**Net OPEB Liability -**

The net OPEB liability of the Village has been measured by a simplified version of the entry age actuarial cost method valuation as of June 30, 2021, which used updated procedures to rollforward the estimated liability at June 30, 2021, and is composed of the following:

	<u>Total OPEB Liability</u>	<u>OPEB Plan's Net Position</u>	<u>Net OPEB Liability</u>
Beginning Balance	\$ 2,306,957	\$ 128,907	\$ 2,178,050
Service cost	123,485	-	123,485
Interest on OPEB liability	64,037	-	64,037
Net investment income	-	36,737	( 36,737)
Difference between expected and actual experience	33,784	-	33,784
Contributions from employer	-	71,109	( 71,109)
Benefit payments	( 46,109)	( 46,109)	-
Administrative costs	<u>-</u>	<u>( 271)</u>	<u>271</u>
Ending Balance	<u>\$ 2,482,154</u>	<u>\$ 190,373</u>	<u>\$ 2,291,781</u>

OPEB Plan fiduciary net position as a percentage of total OPEB liability 7.67%

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB -**

For the year ended June 30, 2021, the Village recognized OPEB expenses of \$174,063, including \$58,982 in the governmental activities and \$115,081 in the business-type activities and proprietary fund financial statements of the primary government. At June 30, 2021, the Village reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB Plan investments	\$ -	\$ 26,847
Difference between expected and actual experience	89,109	166,125
Change in assumptions	<u>48,783</u>	<u>-</u>
	<u>\$ 137,892</u>	<u>\$ 192,972</u>

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

2022	\$( 9,973)
2023	( 9,975)
2024	( 9,787)
2025	( 9,756)
2026	( 3,162)
2027-2031	<u>( 12,427)</u>
	<u>\$( 55,080)</u>

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

The following presents the net OPEB liability of the Village, calculated using the discount rate of 2.18% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.18%) or one-percentage-point higher (3.18%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 2,642,136</u>	<u>\$ 2,291,781</u>	<u>\$ 1,987,829</u>

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

The following presents the net OPEB liability of the Village, calculated using the healthcare cost trend rate of 8.00%, decreasing by 0.25% to an ultimate trend rate of 4.50% for Non-Medicare rates, and a healthcare cost trend rate of 6.25%, decreasing by 0.25% to an ultimate trend rate of 4.50% for Medicare rates, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower (7.00/5.50-3.50%) or one-percentage-point higher (9.00/7.50-5.50%) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,956,509	\$ 2,291,781	\$ 2,691,610

**NOTE 12 - EXTERNAL SALE OF WATER:**

In addition to the sale of water to Village residents, the Village sells water through contracts with the Worth Township DPW and Sanilac Township. The contract with the Worth Township DPW requires monthly payments for usage based on flow times a specified fixed unit rate per thousand gallons. In addition, the contract requires the Worth Township DPW to make quarterly payments of \$11,727 to the Village to be maintained in a reserve account for equipment replacement. The quarterly payments are to be made on January 1, April 1, July 1, and October 1. The reserve account will be utilized for Worth Township DPW's share of water treatment plant related equipment replacement and associated labor. The balance of this reserve account reported in the Village Water Fund at June 30, 2021 is \$435,248. 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 \$223,251 and corresponding unearned revenue of \$223,251 at June 30, 2021 to account for the future debt service principal 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 Sanilac 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, 2021 is \$150,000.

**NOTE 13 - RESTRICTED ASSETS:**

The restricted assets of \$59,134 in the Sewer Fund and \$509,088 in the Water Fund are for meter and equipment replacement and debt service.

**VILLAGE OF LEXINGTON**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 14 - RISK MANAGEMENT:**

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

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

**NOTE 15 - RESTRICTED NET POSITION:**

The net position has been restricted in the entity-wide statement of net position at June 30, 2021 for the following purposes:

**Governmental Activities:**

General Fund -		
Metro Authority	\$	<u>28,108</u>
Major Street Fund		356,584
Local Street Fund		200,425
Municipal Street Fund		687,829
Cemetery Fund		89,815
County Road Fund		<u>379,350</u>
		<u>1,714,003</u>
Total Restricted Net Position - Governmental Activities		<u>1,742,111</u>

**Business-type Activities:**

Sewer Fund -			
Meter Replacement	\$	36,518	
Debt Service		<u>22,616</u>	59,134
Water Fund -			
Meter Replacement		35,332	
Equipment Replacement		435,248	
Debt Service		<u>38,508</u>	<u>509,088</u>
Total Restricted Net Position - Business-type Activities			<u>568,222</u>
Total Restricted Net Position	\$		<u><u>2,310,333</u></u>



**VILLAGE OF LEXINGTON**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 16 - MAINTENANCE CONTRACT COMMITMENT:**

During August 2018, the Village signed a contract for water tank maintenance in the amount of \$329,629, of which \$255,379 was paid to the contractor as of June 30, 2021, with a remaining balance on the contract of \$74,250 due in the future. The annual fee for fiscal year 2022 is \$51,793, with an additional \$22,457 due in fiscal year 2023.

**NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE:**

The Village adopted GASB Statement No. 84, *Fiduciary Activities*. This statement provided the guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how these activities should be reported. The statement required the Village to now report the activities of the MERS OPEB trust fund, which resulted in net position restricted for OPEB to be recorded as of July 1, 2020 of \$128,907.

**NOTE 18 - COVID-19:**

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses and stay-at-home orders for most states, including Michigan, which could continue to impact the Village's activities and funding. Given the continuously evolving nature of this global emergency, the long-term financial impact is unknown.

**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, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 320,000	\$ 335,662	\$ 335,688	\$ 26
Intergovernmental	107,143	175,437	177,592	2,155
Charges for services	269,840	272,213	271,559	( 654)
Fines and forfeits	4,350	3,128	3,128	-
Interest and rents	-	314	515	201
Other	222,821	232,120	236,961	4,841
Total Revenues	<u>924,154</u>	<u>1,018,874</u>	<u>1,025,443</u>	<u>6,569</u>
<b>Expenditures:</b>				
General government	116,041	179,311	185,630	( 6,319)
Public safety	441,751	449,713	455,921	( 6,208)
Public works	207,572	207,146	206,196	950
Health and welfare	24,443	30,117	30,117	-
Community and economic development	11,800	9,054	9,057	( 3)
Recreation and culture	27,058	69,777	68,726	1,051
Other	10,000	10,000	10,000	-
Total Expenditures	<u>838,665</u>	<u>955,118</u>	<u>965,647</u>	<u>( 10,529)</u>
Revenues over expenditures	<u>85,489</u>	<u>63,756</u>	<u>59,796</u>	<u>( 3,960)</u>
<b>Other Financing Sources:</b>				
Transfers in	25,000	15,000	15,000	-
Insurance proceeds	-	18,908	18,908	-
Total Other Financing Sources	<u>25,000</u>	<u>33,908</u>	<u>33,908</u>	<u>-</u>
Net Change in Fund Balance	110,489	97,664	93,704	( 3,960)
Fund Balance at beginning of year	<u>327,163</u>	<u>327,163</u>	<u>327,163</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 437,652</u>	<u>\$ 424,827</u>	<u>\$ 420,867</u>	<u>\$( 3,960)</u>

**VILLAGE OF LEXINGTON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - MUNICIPAL STREET FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 106,000	\$ 134,103	\$ 134,103	\$ -
Charges for services	16,282	14,045	12,073	( 1,972)
Total Revenues	122,282	148,148	146,176	( 1,972)
<b>Other Financing Sources (Uses):</b>				
Transfers in	162	696	-	( 696)
Transfers out	( 65,000)	( 65,000)	( 65,000)	-
Total Other Financing Uses	( 64,838)	( 64,304)	( 65,000)	( 696)
Net Change in Fund Balance	57,444	83,844	81,176	( 2,668)
Fund Balance at beginning of year	606,653	606,653	606,653	-
Fund Balance at end of year	\$ 664,097	\$ 690,497	\$ 687,829	\$( 2,668)

**VILLAGE OF LEXINGTON, MICHIGAN**

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

	For the Year Ended December 31,			
	2020	2019	2018	2017
<b>Total Pension Liability:</b>				
Service cost	\$ 24,686	\$ 26,955	\$ 27,227	\$ 24,583
Interest	224,672	224,952	213,759	207,858
Change in assumptions	107,323	93,724	-	-
Differences between expected and actual experience	( 91,672)	( 28,864)	70,416	11,320
Benefit payments, including refunds	( 171,324)	( 171,324)	( 171,324)	( 171,324)
 Change in total pension liability	 93,685	 145,443	 140,078	 72,437
Total pension liability, beginning of year	<u>3,029,554</u>	<u>2,884,111</u>	<u>2,744,033</u>	<u>2,671,596</u>
Total pension liability, end of year	<u>\$ 3,123,239</u>	<u>\$ 3,029,554</u>	<u>\$ 2,884,111</u>	<u>\$ 2,744,033</u>
 <b>Plan Fiduciary Net Position:</b>				
Contributions - Employer	\$ 105,552	\$ 86,976	\$ 79,050	\$ 72,108
Contributions - Member	10,866	11,959	12,090	10,887
Net investment income (loss)	219,270	215,778	( 66,864)	212,547
Benefit payments, including refunds	( 171,324)	( 171,324)	( 171,324)	( 171,324)
Administrative expenses	( 3,495)	( 3,719)	( 3,365)	( 3,372)
 Net change in plan fiduciary net position	 160,869	 139,670	 ( 150,413)	 120,846
Plan fiduciary net position, beginning of year	<u>1,748,984</u>	<u>1,609,314</u>	<u>1,759,727</u>	<u>1,638,881</u>
Plan fiduciary net position, end of year	<u>\$ 1,909,853</u>	<u>\$ 1,748,984</u>	<u>\$ 1,609,314</u>	<u>\$ 1,759,727</u>
 <b>Village's Net Pension Liability - Ending</b>	 <u>\$ 1,213,386</u>	 <u>\$ 1,280,570</u>	 <u>\$ 1,274,797</u>	 <u>\$ 984,306</u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	 61.15%	 57.73%	 55.80%	 64.13%
 <b>Covered Employee Payroll</b>	 \$ 217,310	 \$ 239,178	 \$ 241,799	 \$ 217,742
 <b>Village's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	 558.4%	 535.4%	 527.2%	 452.1%

GASB Statement No. 68 was implemented for fiscal year ended June 30, 2015. These schedules are being built prospectively.

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 24,982	\$ 34,143	\$ 38,481
200,310	191,430	183,478
-	135,873	-
27,174	( 34,513)	-
<u>( 144,521)</u>	<u>( 133,157)</u>	<u>( 113,632)</u>
107,945	193,776	108,327
<u>2,563,651</u>	<u>2,369,875</u>	<u>2,261,548</u>
<u>\$ 2,671,596</u>	<u>\$ 2,563,651</u>	<u>\$ 2,369,875</u>
\$ 57,696	\$ 48,808	\$ 50,947
14,285	16,305	18,868
173,008	( 24,042)	99,790
( 144,521)	( 133,157)	( 113,632)
<u>( 3,417)</u>	<u>( 3,534)</u>	<u>( 3,664)</u>
97,051	( 95,620)	52,309
<u>1,541,830</u>	<u>1,637,450</u>	<u>1,585,141</u>
<u>\$ 1,638,881</u>	<u>\$ 1,541,830</u>	<u>\$ 1,637,450</u>
<u>\$ 1,032,715</u>	<u>\$ 1,021,821</u>	<u>\$ 732,425</u>
61.34%	60.14%	69.09%
\$ 211,878	\$ 306,231	\$ 345,123
487.4%	333.7%	212.2%

**VILLAGE OF LEXINGTON, MICHIGAN**

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

	<u>Annual Determined Contributions</u>	<u>Contributions in Relation to the Annual Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 118,068	\$ 118,068	\$ -	\$ 221,175	53.38%
2020	93,036	93,036	-	239,982	38.77%
2019	80,916	80,916	-	239,843	33.74%
2018	77,184	77,184	-	231,445	33.35%
2017	67,032	67,032	-	242,345	27.66%
2016	50,238	50,238	-	313,380	16.03%
2015	52,272	52,272	-	350,899	14.90%
2014	47,672	47,672	-	345,123	13.81%
2013	56,854	56,854	-	381,934	14.89%
2012	56,430	56,430	-	486,492	11.60%

**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	14 years
Asset Calculation Method	5-year smoothed market value
Salary Increases	3.00%
Investment Rate of Return	7.35%
Retirement Age	Replacement Index up to age 70, then 100%
Mortality	RP-2014 Healthy Annuitant Mortality Table with 50% Male and 50% Female Blend

The plan is considered closed to new-hires.

**VILLAGE OF LEXINGTON, MICHIGAN**

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

	2021	2020	2019	2018
<b>Total OPEB Liability:</b>				
Service cost	\$ 123,485	\$ 111,210	\$ 114,888	\$ 106,752
Interest	64,037	73,626	67,450	67,881
Change in benefits	-	( 94,618)	-	-
Differences between expected and actual experience	33,784	( 177,904)	80,296	( 31,683)
Change in assumptions	-	59,623	-	-
Benefit payments, including refunds	( 46,109)	( 48,902)	( 54,450)	( 58,398)
 Change in OPEB liability	 175,197	 ( 76,965)	 208,184	 84,552
 OPEB liability, beginning of year	 <u>2,306,957</u>	 <u>2,383,922</u>	 <u>2,175,738</u>	 <u>2,091,186</u>
 OPEB liability, end of year	 <u><u>\$ 2,482,154</u></u>	 <u><u>\$ 2,306,957</u></u>	 <u><u>\$ 2,383,922</u></u>	 <u><u>\$ 2,175,738</u></u>
 <b>Plan Fiduciary Net Position:</b>				
Contributions - Employer	\$ 71,109	\$ 73,902	\$ 152,657	\$ 58,398
Net investment income	36,737	3,520	2,391	-
Benefit payments, including refunds	( 46,109)	( 48,902)	( 54,450)	( 58,398)
Administrative expenses	( 271)	( 190)	( 21)	-
 Net change in plan fiduciary net position	 61,466	 28,330	 100,577	 -
 Plan fiduciary net position, beginning of year	 <u>128,907</u>	 <u>100,577</u>	 <u>-</u>	 <u>-</u>
 Plan fiduciary net position, end of year	 <u><u>\$ 190,373</u></u>	 <u><u>\$ 128,907</u></u>	 <u><u>\$ 100,577</u></u>	 <u><u>\$ -</u></u>
 <b>Township's Net OPEB Liability - Ending</b>	 <u><u>\$ 2,291,781</u></u>	 <u><u>\$ 2,178,050</u></u>	 <u><u>\$ 2,283,345</u></u>	 <u><u>\$ 2,175,738</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	 7.67%	 5.59%	 4.22%	 0.00%
 <b>Covered Employee Payroll</b>	 \$ 550,222	 \$ 599,770	 \$ 536,339	 \$ 525,823
 <b>Village's Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	 416.52%	 363.15%	 425.73%	 413.78%

GASB Statement No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively.



**VILLAGE OF LEXINGTON, MICHIGAN**

**RETIREE HEALTH BENEFITS  
SCHEDULE OF CONTRIBUTIONS  
FISCAL YEARS**

	Annual Determined Contribution	Contributions in Relation to the Annual Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 190,581	\$ 71,109	\$ 119,472	\$ 550,222	12.92%
2020	180,230	73,902	106,328	599,770	12.32%
2019	209,240	152,657	56,583	536,339	28.46%
2018	195,433	58,398	137,035	525,823	11.11%

**Valuation Date:** June 30 of even year-ends

**Methods and Assumptions Used to Determine Contribution Rates:**

Simplified Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	28 years, Closed
Wage Inflation	3.50%
Salary Increases	3.50%
Investment Rate of Return	2.18%
Years of Service	25 years of continuous service, or 30 years of non-continuous service with the Village
Mortality	National Center for Health Statistics 2017 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 68 No. 7 dated June 24, 2019)
Health Care Trend Rates	Initial trend of 8.00% in 2022, decreasing by 0.25% to an ultimate rate of 4.50% in 2036 and for years thereafter for Non-Medicare rates. Initial trend of 6.25% in 2022, decreasing by 0.25% to an ultimate trend rate of 4.50% in 2029 and for years thereafter for Medicare rates.

GASB Statement No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively.

## **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, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 320,000	\$ 335,662	\$ 335,688	\$ 26
Intergovernmental -				
State	107,143	175,437	177,592	2,155
Charges for services	269,840	272,213	271,559	( 654)
Fines and forfeits	4,350	3,128	3,128	-
Interest and rents	-	314	515	201
Other	222,821	232,120	236,961	4,841
	<u>924,154</u>	<u>1,018,874</u>	<u>1,025,443</u>	<u>6,569</u>
<b>Expenditures:</b>				
General Government -				
Village council	6,709	2,615	4,343	( 1,728)
Village manager	71,549	80,388	81,071	( 683)
Village clerk	71,792	83,546	83,255	291
Administrative services	141,582	158,406	158,327	79
	<u>291,632</u>	<u>324,955</u>	<u>326,996</u>	<u>( 2,041)</u>
Less: Reimbursement from other funds	<u>( 175,591)</u>	<u>( 145,644)</u>	<u>( 141,366)</u>	<u>( 4,278)</u>
Total General Government	<u>116,041</u>	<u>179,311</u>	<u>185,630</u>	<u>( 6,319)</u>
Public Safety -				
Police department	317,646	320,852	323,137	( 2,285)
Fire department	124,105	128,861	132,784	( 3,923)
Total Public Safety	<u>441,751</u>	<u>449,713</u>	<u>455,921</u>	<u>( 6,208)</u>
Public Works -				
Department of public works	87,022	92,678	91,728	950
Rubbish collection/disposal	120,550	114,468	114,468	-
Total Public Works	<u>207,572</u>	<u>207,146</u>	<u>206,196</u>	<u>950</u>
Health and Welfare -				
Environment	-	125	125	-
Ambulance	24,443	29,992	29,992	-
Total Health and Welfare	<u>24,443</u>	<u>30,117</u>	<u>30,117</u>	<u>-</u>
Community and Economic Development -				
Planning	11,800	9,054	9,057	( 3)
Recreation and Culture -				
Parks and recreation	27,058	69,777	68,726	1,051
Other -				
Retiree health insurance	10,000	10,000	10,000	-
Total Expenditures	<u>838,665</u>	<u>955,118</u>	<u>965,647</u>	<u>( 10,529)</u>
Revenues under expenditures	<u>85,489</u>	<u>63,756</u>	<u>59,796</u>	<u>( 3,960)</u>

Continued

**VILLAGE OF LEXINGTON, MICHIGAN**

**DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources:</b>				
Transfers in	\$ 25,000	\$ 15,000	\$ 15,000	\$ -
Insurance proceeds	-	18,908	18,908	-
Total Other Financing Sources	<u>25,000</u>	<u>33,908</u>	<u>33,908</u>	<u>-</u>
Net Change in Fund Balance	110,489	97,664	93,704	( 3,960)
Fund Balance at beginning of year	<u>327,163</u>	<u>327,163</u>	<u>327,163</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 437,652</u>	<u>\$ 424,827</u>	<u>\$ 420,867</u>	<u>\$( 3,960)</u>

Concluded

**VILLAGE OF LEXINGTON, MICHIGAN**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	Special Revenue Funds			
	Major Street	Local Street	County Road	Cemetery Fund
<b>Assets:</b>				
Cash and cash equivalents	\$ 341,074	\$ 192,610	\$ 381,854	\$ 90,066
Due from other governmental units	15,177	6,947	-	-
Prepaid expenditures	438	954	-	608
<b>Total Assets</b>	<b>\$ 356,689</b>	<b>\$ 200,511</b>	<b>\$ 381,854</b>	<b>\$ 90,674</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 2,504	\$ 175
Accrued liabilities	105	86	-	76
<b>Total Liabilities</b>	<b>105</b>	<b>86</b>	<b>2,504</b>	<b>251</b>
<b>Fund Balances:</b>				
Nonspendable for -				
Prepays	438	954	-	608
Restricted for -				
Streets	356,146	199,471	379,350	-
Cemetery	-	-	-	89,815
Committed for -				
Capital	-	-	-	-
<b>Total Fund Balances</b>	<b>356,584</b>	<b>200,425</b>	<b>379,350</b>	<b>90,423</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 356,689</b>	<b>\$ 200,511</b>	<b>\$ 381,854</b>	<b>\$ 90,674</b>

Capital Projects Fund	Total
\$ 54,001	\$ 1,059,605
-	22,124
-	2,000
<u>\$ 54,001</u>	<u>\$ 1,083,729</u>
\$ 42,500	\$ 45,179
-	267
<u>42,500</u>	<u>45,446</u>
-	2,000
-	934,967
-	89,815
<u>11,501</u>	<u>11,501</u>
<u>11,501</u>	<u>1,038,283</u>
<u>\$ 54,001</u>	<u>\$ 1,083,729</u>

**VILLAGE OF LEXINGTON, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds			
	Major Street	Local Street	County Road	Cemetery Fund
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 90,684	\$ 26,800
Intergovernmental	92,693	42,427	-	-
Charges for services	-	-	-	26,320
Interest	-	-	-	283
Other	-	-	-	4,323
Total Revenues	<u>92,693</u>	<u>42,427</u>	<u>90,684</u>	<u>57,726</u>
<b>Expenditures:</b>				
Public works	35,667	129,845	37,183	33,275
Capital outlay	-	-	-	-
Total Expenditures	<u>35,667</u>	<u>129,845</u>	<u>37,183</u>	<u>33,275</u>
Revenues over (under) expenditures	<u>57,026</u>	<u>( 87,418)</u>	<u>53,501</u>	<u>24,451</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	29,372	76,620	7,784	5,096
Transfers out	( 23,173)	-	-	-
Total Other Financing Sources (Uses)	<u>6,199</u>	<u>76,620</u>	<u>7,784</u>	<u>5,096</u>
Net Change in Fund Balances	63,225	( 10,798)	61,285	29,547
Fund Balances at beginning of year	<u>293,359</u>	<u>211,223</u>	<u>318,065</u>	<u>60,876</u>
Fund Balances at end of year	<u>\$ 356,584</u>	<u>\$ 200,425</u>	<u>\$ 379,350</u>	<u>\$ 90,423</u>

Capital Projects Fund	Total
\$ -	\$ 117,484
-	135,120
-	26,320
-	283
-	4,323
<u>-</u>	<u>283,530</u>
-	235,970
48,499	48,499
<u>48,499</u>	<u>284,469</u>
<u>( 48,499)</u>	<u>( 939)</u>
60,000	178,872
-	( 23,173)
<u>60,000</u>	<u>155,699</u>
11,501	154,760
-	883,523
<u>11,501</u>	<u>1,038,283</u>
<u>\$ 11,501</u>	<u>\$ 1,038,283</u>



**VILLAGE OF LEXINGTON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - MAJOR STREET FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 68,875	\$ 69,372	\$ 92,693	\$ 23,321
<b>Expenditures:</b>				
Public Works -				
Salaries	5,888	8,247	8,760	( 513)
Fringe benefits	5,470	5,620	5,518	102
Administrative fees	1,629	1,982	2,080	( 98)
Supplies	1,800	4,453	4,453	-
Equipment rental	12,927	15,723	14,660	1,063
Purchased services	-	196	196	-
Total Expenditures	27,714	36,221	35,667	554
Revenues over expenditures	41,161	33,151	57,026	23,875
<b>Other Financing Sources (Uses):</b>				
Transfers in	28,040	29,277	29,372	95
Transfers out	( 22,000)	( 19,000)	( 23,173)	( 4,173)
Total Other Financing Sources	6,040	10,277	6,199	( 4,078)
Net Change in Fund Balance	47,201	43,428	63,225	19,797
Fund Balance at beginning of year	293,359	293,359	293,359	-
Fund Balance at end of year	\$ 340,560	\$ 336,787	\$ 356,584	\$ 19,797

**VILLAGE OF LEXINGTON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - LOCAL STREET FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 32,000	\$ 32,000	\$ 42,427	\$ 10,427
<b>Expenditures:</b>				
Public Works -				
Salaries	20,700	26,723	27,007	( 284)
Fringe benefits	11,484	15,560	15,393	167
Administrative fees	4,682	5,606	4,238	1,368
Supplies	8,400	10,623	10,623	-
Equipment rental	25,950	27,679	27,394	285
Purchase of services	500	1,349	1,349	-
Other	2,350	3,851	3,851	-
Capital Outlay	-	40,000	39,990	10
Total Expenditures	74,066	131,391	129,845	1,546
Revenues under expenditures	( 42,066)	( 99,391)	( 87,418)	11,973
<b>Other Financing Sources:</b>				
Transfers in	73,633	72,297	76,620	4,323
Net Change in Fund Balance	31,567	( 27,094)	( 10,798)	16,296
Fund Balance at beginning of year	211,223	211,223	211,223	-
Fund Balance at end of year	\$ 242,790	\$ 184,129	\$ 200,425	\$ 16,296

**VILLAGE OF LEXINGTON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - COUNTY ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
County road millage	\$ 68,000	\$ 90,684	\$ 90,684	\$ -
<b>Expenditures:</b>				
Public Works -				
Administrative fees	5,382	3,402	3,487	( 85)
Traffic and street lights	30,000	33,793	33,696	97
Total Expenditures	35,382	37,195	37,183	12
Revenues over expenditures	32,618	53,489	53,501	12
<b>Other Financing Sources:</b>				
Transfers in	6,930	7,806	7,784	( 22)
Net Change in Fund Balance	39,548	61,295	61,285	( 10)
Fund Balance at beginning of year	318,065	318,065	318,065	-
Fund Balance at end of year	\$ 357,613	\$ 379,360	\$ 379,350	\$( 10)

**VILLAGE OF LEXINGTON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CEMETERY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 21,182	\$ 26,789	\$ 26,800	\$ 11
Charges for services	9,000	26,320	26,320	-
Interest	-	283	283	-
Other	-	4,323	4,323	-
Total Revenues	30,182	57,715	57,726	11
<b>Expenditures:</b>				
Public Works -				
Salaries	8,000	8,598	8,128	470
Fringe benefits	3,615	4,103	3,987	116
Administrative fees	2,185	2,256	2,396	( 140)
Insurance	420	336	425	( 89)
Supplies	1,138	2,307	3,270	( 963)
Equipment rental	8,750	8,691	8,704	( 13)
Purchase of services	2,000	4,040	4,165	( 125)
Lot buy back	-	400	400	-
Other	2,550	1,780	1,800	( 20)
Total Expenditures	28,658	32,511	33,275	( 764)
Revenues over expenditures	1,524	25,204	24,451	( 753)
<b>Other Financing Sources:</b>				
Transfers in	4,094	4,880	5,096	216
Net Change in Fund Balance	5,618	30,084	29,547	( 537)
Fund Balance at beginning of year	60,876	60,876	60,876	-
Fund Balance at end of year	\$ 66,494	\$ 90,960	\$ 90,423	\$( 537)

## **COMPONENT UNIT**

**VILLAGE OF LEXINGTON, MICHIGAN**

**BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT  
DOWNTOWN DEVELOPMENT AUTHORITY  
JUNE 30, 2021**

**Assets:**

Cash and cash equivalents	\$	218,856
Accounts receivable		<u>120</u>
Total Assets	\$	<u><u>218,976</u></u>

**Liabilities:**

Accounts payable	\$	5,200
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**Fund Balance:**

Unrestricted		<u>213,776</u>
Total Liabilities and Fund Balance	\$	<u><u>218,976</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, 2021**

Fund Balance	\$	213,776
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		429,331
Accumulated depreciation	(	<u>148,465)</u>
Net position of governmental activities	\$	<u><u>494,642</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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 136,739	\$ 159,220	\$ 159,220	\$ -
Other	1,440	1,441	1,320	( 121)
	<u>138,179</u>	<u>160,661</u>	<u>160,540</u>	<u>( 121)</u>
<b>Expenditures:</b>				
Public works	<u>145,104</u>	<u>77,381</u>	<u>80,367</u>	<u>( 2,986)</u>
Net Change in Fund Balance	( 6,925)	83,280	80,173	( 3,107)
Fund Balance at beginning of year	<u>133,603</u>	<u>133,603</u>	<u>133,603</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 126,678</u></u>	<u><u>\$ 216,883</u></u>	<u><u>\$ 213,776</u></u>	<u><u>\$( 3,107)</u></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, 2021**

Net change in fund balance	\$ 80,173
<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>	
Depreciation	<u>( 25,890)</u>
Change in net position of governmental activities	<u>\$ 54,283</u>