

VILLAGE OF MANCHESTER
WASHTENAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDING JUNE 30, 2014

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
 JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE STATEMENT OF NET POSITION	7
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES	8
BALANCE SHEET-GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	12
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	14
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS	15
STATEMENT OF FIDUCIARY NET POSITION	16
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	17
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS	18
NOTES TO THE FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	35
BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND	40
BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND	42
BUDGETARY COMPARISON SCHEDULE – MUNICIPAL STREET FUND	44
BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND	45
SCHEDULE OF INDEBTEDNESS	46

MARKOWSKI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203
PHONE (517) 782-9351
FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Village of Manchester, State of Michigan, as of and for the year ended June 30, 2014, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Village of Manchester, State of Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

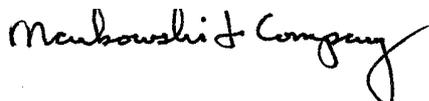
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 35-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Manchester, State of Michigan's, basic financial statements. The schedule of indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of indebtedness is the responsibility of management and was derived from and relate 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 schedule of indebtedness is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yours truly,



MARKOWSKI & COMPANY, CPAs
October 21, 2014

VILLAGE OF MANCHESTER
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Management's Discussion and Analysis

Using this Annual Report

As management of the Village of Manchester, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the Village of Manchester for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here.

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village has a combined net position of \$10,960,889. Of this amount, \$1,950,411 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$8,274,102 reflects the Village's investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructures consisting of water and sewer lines and roads and streets); less any related debt used to acquire those assets still outstanding. The remaining \$736,376 of net position is restricted for various uses as determined by external constraints by grantors, contributors, or laws or regulations.

The Village's total net position increased by \$45,614 in 2014. Governmental activities net position increased \$166,876 and Business-Type activities decreased \$121,262. Capital contributions to complete streetscape improvements of \$97,610 helped increase the Governmental net position.

In a condensed format, the following table shows the net position as of June 30, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 2,091,462	\$ 1,944,353	\$ 1,531,090	\$ 1,542,008	\$ 3,622,552	\$ 3,486,361
Noncurrent Assets	4,470,001	4,576,893	4,033,390	4,204,041	8,503,391	8,780,934
Total Assets	6,561,463	6,521,246	5,564,480	5,746,049	12,125,943	12,267,295
Current Liabilities	192,010	318,961	138,044	111,652	330,054	430,613
Long-Term Debt	455,710	455,418	379,290	449,435	835,000	904,853
Total Liabilities	647,720	774,379	517,334	561,087	1,165,054	1,335,466
Net Position						
Invested in Capital Assets -						
Net of Related Debt	4,470,001	4,121,477	3,804,101	3,667,908	8,274,102	7,789,385
Restricted For:						
Highways and Streets	460,789	461,203	-	-	460,789	461,203
Debt Service	-	-	5,408	4,160	5,408	4,160
Recreational and Cultural	215,323	69,893	-	-	215,323	69,893
Inventory	-	-	32,369	-	32,369	-
Capital Improvements	22,487	21,454	-	-	22,487	21,454
Unrestricted	745,143	1,072,840	1,205,268	1,512,894	1,950,411	2,585,734
Total Net Position	\$ 5,913,743	\$ 5,746,867	\$ 5,047,146	\$ 5,184,962	\$ 10,960,889	\$ 10,931,829

Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net position as of June 30, 2014 and 2013:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	\$ 230,109	\$ 221,660	\$ 707,054	\$ 712,011	\$ 937,163	\$ 933,671
Operating Grants and Contributions	354,229	337,909	-	-	354,229	337,909
Capital Grants and Contributions	337,027	537,244	46,250	672,921	383,277	1,210,165
General Revenues						
Property Taxes	675,835	674,784	-	-	675,835	674,784
State-Shared Revenues	191,856	185,559	-	-	191,856	185,559
Interest Income	3,285	4,728	2,078	3,116	5,363	7,844
Franchise Fees	26,737	25,986	-	-	26,737	25,986
Other Income	12,522	15,250	-	10,541	12,522	25,791
Total Revenues	1,831,600	2,003,120	755,382	1,398,589	2,586,982	3,401,709
Program Expenses						
Legislative	48,396	49,259	-	-	48,396	49,259
General Government	387,375	363,782	-	-	387,375	363,782
Public Safety	498,698	484,475	-	-	498,698	484,475
Public Works	326,786	315,959	-	-	326,786	315,959
Recreational and Cultural	42,781	45,306	-	-	42,781	45,306
Interest on Long-Term Debt	17,798	19,074	-	-	17,798	19,074
Depreciation	342,890	311,441	-	-	342,890	311,441
Water and Sewer	-	-	876,644	885,860	876,644	885,860
Total Expenses	1,664,724	1,589,296	876,644	885,860	2,541,368	2,475,156
Change in Net Position	\$ 166,876	\$ 413,824	\$ (121,262)	\$ 512,729	\$ 45,614	\$ 926,553

Government Activities

The Village's total governmental revenues decreased by \$171,520. The decrease resulted primarily from prior year capital contribution received from Federal and State Government for improvements to the Village's downtown area.

State shared revenues increased slightly, but remain consistently low from historical amounts.

The Village's expenditures increased 5%. Increases primarily relate to increased depreciation as the downtown area has been completed and depreciation begins on the new assets. Management continues to control costs where possible.

Business Type Activities

The Village's business-type activities consist of its Water and Sewer funds. During 2014, the net position decreased by \$121,262. The decrease was due primarily to depreciation expense in the amount of \$315,326.

Expenditures decreased by 1% as the revenues and expenditures remained consistent.

Management’s Discussion and Analysis

The Village’s Funds

The fund financial statements provide a more detailed analysis of the Village’s operations, which are focused primarily on the current use of available resources. The Village maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities for the Village, which is financed by property tax levies, by distribution of state shared revenues, and from fees charged for various municipal activities and services. The General Fund’s fund balance increased by \$27,368 primarily due to capital contributed by the Federal and State Governments in the amount of \$97,610 to complete the improvements to the Villages downtown.

Police services continued to increase (3%) as public safety costs rise. These services are contracted through the County of Washtenaw.

The Water and Sewer Funds are used to account for business-like activities provided to the Village’s residents. The Village charges for water and sewer service and other related goods and services. Net position decreased by \$121,262 primarily the result of depreciation expense. Revenues have stabilized and operating expenditures decreased slightly. Depreciation expense in the enterprise funds totaled \$315,326.

The Village maintains several Special Revenue Funds to account for resources set aside for specific purposes, as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity. Principally among these funds are the Major and Local Street funds used to account for Village roads and street activity. The Village levies a municipal street tax in order to maintain the stability of these funds. The Municipal Street fund transferred \$105,000 to maintain these funds and to begin to accumulate fund balance to aid in the Main Street Bridge repairs.

General Fund Budgetary Highlights

The original budget adopted for the Village’s General Fund projected a \$37,507 decrease in fund balance, primarily by budgeting for operating expenditures and a transfer to the Parks and Recreation Fund for park improvements. The final General Fund amended budget projected a \$17,307 decrease in fund balance. Actual fund balance increased by \$27,368 when actual expenditures for the project were either reduced or moved into the next fiscal year.

The administration believes taxable values have stabilized along with state shared revenues. Council has met the criteria proposed by the State of Michigan in order to receive the maximum amount of State Shared Revenue available. The Village will continue to cut costs where necessary in order to maintain financial stability.

Capital Asset and Debt Administration

The Village continues to maintain and improve the sewer and water infrastructure, street systems, fleets of vehicles and buildings and grounds while reducing its debt obligations. Large projects undertaken include the downtown streetscape construction, pond improvements at Chi Bro Park and new equipment for use in buildings and grounds.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 934,709	\$ 30,005	\$ 964,714
Buildings and improvements	1,433,846	75,737	1,509,583
Equipment, furniture and fixtures	379,194	295,898	675,092
Infrastructure	1,722,252	-	1,722,252
Distribution and collection system	-	3,631,750	3,631,750
Total	\$ 4,470,001	\$ 4,033,390	\$ 8,503,391

At the end of the year the Village had total debt outstanding of \$975,000.

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

As taxable values continue to level, the Village's revenues also continue to remain stable. General operating millage rates will not change next year and we do not anticipate a change for the 2015/2016 fiscal year either.

Replacement of the Main Street Bridge is scheduled for 2015. A \$635,000 bond sale was approved by the Village voters last August to complement the almost \$3 million awarded by the State through the Local Bridge Program. An approximate 1 mill tax for repaying the bonds over 10 years will be added to the tax bills beginning in 2015.

The Village has several other ongoing projects, most being funded with contributed capital. Work continues on a shared use trail and upgrades to Kirk Park. The Downtown Development Authority is working with grants to promote the community and study central business district opportunities. The Village also completed a master plan for the Riverfront and has applied for funds from the Michigan Department of Natural Resources. A program called Safe Routes to School is being utilized to plan sidewalks for underserved areas key to children walking and biking to school.

The water and sewer operations also continue to enjoy stable revenues. An inflationary 3% increase is planned for water rates with no change to sewer rates. Here again the Village is fortunate to be able to take advantage of economic programs offered by the State. With a 10% Village match, the State will fund a \$280,000 sewer asset management project which will allow GIS locating, cleaning and televising of all the sewers. Infrastructure improvements to the water system are also planned using the State's Drinking Water Revolving Loan Fund and will not impact rates.

Village Council and management continues its commitment to several goals: keeping abreast of local and broader issues; recognizing opportunities; minimizing costs; maximizing efficiencies; and maintaining resident services.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Additionally, a Citizen's Guide to Village Finances and Dashboard are available on the Village website, www.vil-manchester.org. If you have questions about this report or need additional information, we welcome you to contact the Village Manager at 912 City Road, Manchester, MI 48158.

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF NET POSITION
 JUNE 30, 2014

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,897,750	\$ 1,203,134	\$ 3,100,884	\$ 12,257
Investments	55,174	205,694	260,868	-
Accounts receivable:				
Taxes	1,449	71	1,520	-
Customers	13,517	77,738	91,255	-
Other	33,544	-	33,544	-
Due from other governments	102,107	5	102,112	-
Internal balances	(12,079)	12,079	-	-
Inventory	-	32,369	32,369	-
Total current assets	<u>2,091,462</u>	<u>1,531,090</u>	<u>3,622,552</u>	<u>12,257</u>
NONCURRENT ASSETS				
Capital assets:				
Land and land improvements	1,131,282	30,005	1,161,287	35,500
Buildings and improvements	2,274,751	130,548	2,405,299	-
Equipment, furniture and fixtures	1,057,850	729,900	1,787,750	-
Infrastructure - roads	4,088,323	-	4,088,323	-
Distribution and collection system	-	8,863,195	8,863,195	-
Less - Accumulated depreciation	(4,082,205)	(5,720,258)	(9,802,463)	(2,250)
Total noncurrent assets	<u>4,470,001</u>	<u>4,033,390</u>	<u>8,503,391</u>	<u>33,250</u>
Total assets	<u>6,561,463</u>	<u>5,564,480</u>	<u>12,125,943</u>	<u>45,507</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	56,555	56,302	112,857	-
Accrued interest payable	2,761	2,545	5,306	-
Accrued payroll	5,738	9,051	14,789	-
Accrued leave payable	33,855	-	33,855	-
Deposits	23,247	-	23,247	-
Bonds, notes, and loans payable	69,854	70,146	140,000	-
Total current liabilities	<u>192,010</u>	<u>138,044</u>	<u>330,054</u>	<u>-</u>
NONCURRENT LIABILITIES				
Bonds, notes, and loans payable	<u>455,710</u>	<u>379,290</u>	<u>835,000</u>	<u>-</u>
Total liabilities	<u>647,720</u>	<u>517,334</u>	<u>1,165,054</u>	<u>-</u>
NET POSITION				
Invested in capital assets - net of related debt	4,470,001	3,804,101	8,274,102	45,507
Restricted for:				
Highways and streets	460,789	-	460,789	-
Debt service	-	5,408	5,408	-
Recreational and cultural	215,323	-	215,323	-
Inventory	-	32,369	32,369	-
Capital improvements	22,487	-	22,487	-
Unrestricted	745,143	1,205,268	1,950,411	-
Total net position	<u>\$ 5,913,743</u>	<u>\$ 5,047,146</u>	<u>\$ 10,960,889</u>	<u>\$ 45,507</u>

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

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total	
			Grants and Contributions	Grants and Contributions				
Governmental activities								
Legislative	\$ 48,396	\$ -	\$ -	\$ -	\$ (48,396)	\$ -	\$ (48,396)	\$ -
General government	387,375	204,036	-	88,217	(95,122)	-	(95,122)	-
Public safety	498,698	-	-	-	(498,698)	-	(498,698)	-
Public works	326,786	25,963	308,544	97,610	105,331	-	105,331	-
Recreational and cultural	42,781	110	45,685	151,200	154,214	-	154,214	-
Interest on long-term debt	17,798	-	-	-	(17,798)	-	(17,798)	-
Depreciation	342,890	-	-	-	(342,890)	-	(342,890)	-
Total governmental activities	1,664,724	230,109	354,229	337,027	(743,359)	-	(743,359)	-
Business-type activities								
Water and sewer	876,644	707,054	-	46,250	-	(123,340)	(123,340)	-
Total primary government	\$ 2,541,368	\$ 937,163	\$ 354,229	\$ 383,277	(743,359)	(123,340)	(866,699)	-
Component Unit:								
Downtown Development Authority	\$ 1,690	\$ -	\$ -	\$ 5,000	-	-	-	3,310
General revenues								
Property taxes					675,835	-	675,835	-
State-shared revenues					191,856	-	191,856	-
Interest income					3,285	2,078	5,363	22
Franchise fees					26,737	-	26,737	-
Other income					12,522	-	12,522	-
Total general revenues					910,235	2,078	912,313	22
Change in net position					166,876	(121,262)	45,614	3,332
Net position - Beginning					5,746,867	5,168,408	10,915,275	42,175
Net position - Ending					\$ 5,913,743	\$ 5,047,146	\$ 10,960,889	\$ 45,507

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

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL	MAJOR STREET	LOCAL STREET	MUNICIPAL STREET	PARKS & RECREATION	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and cash equivalents	\$ 1,184,592	\$ 35,283	\$ 5,546	409,602	\$ 181,589	\$ 1,816,612
Accounts receivable:						
Taxes	1,172	-	-	219	58	1,449
Customers	13,126	-	-	-	-	13,126
Other	7,275	-	-	-	-	7,275
Due from other funds	252	31,757	2,735	15	32,178	66,937
Due from other governments	61,035	29,706	11,366	-	-	102,107
Advances to other funds	26,000	-	-	-	-	26,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,293,452</u>	<u>\$ 96,746</u>	<u>\$ 19,647</u>	<u>\$ 409,836</u>	<u>\$ 213,825</u>	<u>\$ 2,033,506</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 16,594	\$ 29,162	\$ 3,654	\$ -	\$ 1,175	\$ 50,585
Accrued interest payable	2,761	-	-	-	-	2,761
Accrued payroll	2,262	1,387	599	-	1,173	5,421
Due to other funds	57,253	1,560	1,578	27,500	500	88,391
Deposits	23,247	-	-	-	-	23,247
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	102,117	32,109	5,831	27,500	2,848	170,405
FUND BALANCES						
Restricted for:						
Highways and streets	-	64,637	13,816	382,336	-	460,789
Recreational and cultural	4,346	-	-	-	210,977	215,323
Capital improvements	22,487	-	-	-	-	22,487
Assigned for capital improvements	176,303	-	-	-	-	176,303
Unassigned	988,199	-	-	-	-	988,199
Total fund balances	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,191,335	64,637	13,816	382,336	210,977	1,863,101
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 1,293,452</u>	<u>\$ 96,746</u>	<u>\$ 19,647</u>	<u>\$ 409,836</u>	<u>\$ 213,825</u>	<u>\$ 2,033,506</u>

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

VILLAGE OF MANCHESTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balance - total governmental funds	\$ 1,863,101
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of the Internal Service Fund. (Net of accumulated depreciation).	4,470,001
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	140,060
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(525,564)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(33,855)</u>
Net position of governmental activities	<u>\$ 5,913,743</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	GENERAL FUND	MAJOR STREET	LOCAL STREET	MUNICIPAL STREET	PARKS & RECREATION	TOTAL
REVENUES:						
Taxes and penalties	\$ 764,051	\$ -	\$ -	\$ 141,573	\$ 37,685	\$ 943,309
Franchise fee	26,737	-	-	-	-	26,737
Licenses and permits	3,585	-	-	-	-	3,585
Fees and fines	6,904	-	-	-	110	7,014
Intergovernmental - State	191,856	120,789	46,182	-	-	358,827
Charges for services	107,263	-	-	-	-	107,263
Rental income	86,284	-	-	-	-	86,284
Interest income	1,906	89	16	571	211	2,793
Contributed capital	97,610	-	-	-	-	97,610
Grants and contributions	8,000	-	-	-	151,200	159,200
Other revenues	162	7,052	5,058	-	250	12,522
Total revenues	<u>1,294,358</u>	<u>127,930</u>	<u>51,256</u>	<u>142,144</u>	<u>189,456</u>	<u>1,805,144</u>
EXPENDITURES:						
Current:						
Legislative	48,396	-	-	-	-	48,396
General government	516,427	-	-	-	-	516,427
Public safety	498,698	-	-	-	-	498,698
Public works	79,485	202,636	118,997	111	-	401,229
Recreational & cultural	8,332	-	-	-	76,372	84,704
Debt service	87,652	-	-	-	-	87,652
Total expenditures	<u>1,238,990</u>	<u>202,636</u>	<u>118,997</u>	<u>111</u>	<u>76,372</u>	<u>1,637,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>55,368</u>	<u>(74,706)</u>	<u>(67,741)</u>	<u>142,033</u>	<u>113,084</u>	<u>168,038</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	-	27,500	77,500	-	28,000	133,000
Operating transfers (out)	(28,000)	-	-	(105,000)	-	(133,000)
Total other financing sources (uses)	<u>(28,000)</u>	<u>27,500</u>	<u>77,500</u>	<u>(105,000)</u>	<u>28,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>27,368</u>	<u>(47,206)</u>	<u>9,759</u>	<u>37,033</u>	<u>141,084</u>	<u>168,038</u>
FUND BALANCE -						
Beginning of year	<u>1,163,967</u>	<u>111,843</u>	<u>4,057</u>	<u>345,303</u>	<u>69,893</u>	<u>1,695,063</u>
FUND BALANCE -						
End of year	<u>\$ 1,191,335</u>	<u>\$ 64,637</u>	<u>\$ 13,816</u>	<u>\$ 382,336</u>	<u>\$ 210,977</u>	<u>\$ 1,863,101</u>

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

**VILLAGE OF MANCHESTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$ 168,038
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	235,996
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(342,888)
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund is included in governmental activities.	37,651
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	(1,775)
The payments of long-term debt consumes the current financial resources of governmental funds.	69,854
Change in net position of governmental activities	<u>\$ 166,876</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

ASSETS	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 611,344	\$ 591,790	\$ 1,203,134	\$ 81,138
Investments	101,588	104,106	205,694	55,174
Accounts receivable:				
Taxes	-	71	71	-
Customers	26,252	51,486	77,738	391
Due from other funds	5,151	9,460	14,611	9,646
Inventory	32,369	-	32,369	-
Total current assets	776,704	756,913	1,533,617	146,349
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	3,005	27,000	30,005	-
Buildings and improvements	121,148	9,400	130,548	-
Equipment, furniture and fixtures	363,257	366,643	729,900	819,927
Distribution and collection system	2,636,446	6,226,749	8,863,195	-
Less - Accumulated depreciation	(1,035,285)	(4,684,973)	(5,720,258)	(531,249)
Total noncurrent assets	2,088,571	1,944,819	4,033,390	288,678
Total assets	2,865,275	2,701,732	5,567,007	435,027
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	23,785	32,517	56,302	5,972
Accrued interest payable	1,156	1,389	2,545	-
Accrued payroll	1,551	7,500	9,051	317
Due to other funds	1,032	1,495	2,527	-
Bonds, notes, and loans payable	35,000	35,146	70,146	-
Total current liabilities	62,524	78,047	140,571	6,289
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	150,000	229,290	379,290	-
Total liabilities	212,524	307,337	519,861	6,289
NET POSITION:				
Invested in capital assets - net of related debt	2,088,571	1,715,530	3,804,101	288,678
Restricted for inventory	32,369	-	32,369	-
Restricted for debt service	-	5,408	5,408	-
Unrestricted	531,811	673,457	1,205,268	140,060
Total net position	\$ 2,652,751	\$ 2,394,395	\$ 5,047,146	\$ 428,738

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

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	ENTERPRISE FUNDS			INTERNAL
	WATER	SEWER	TOTAL	SERVICE
				FUND
OPERATING REVENUES:				
Charges for services	\$ 262,501	\$ 405,990	\$ 668,491	\$ 123,396
Charges for services - Bridgewater Township	-	31,200	31,200	-
Connection fees and other charges	3,670	3,693	7,363	3,109
Total operating revenues	<u>266,171</u>	<u>440,883</u>	<u>707,054</u>	<u>126,505</u>
OPERATING EXPENSES:				
Salaries and wages	72,848	138,341	211,189	21,244
Payroll taxes	5,412	10,298	15,710	1,602
Employee benefits	24,607	45,168	69,775	6,275
Chemicals	7,152	9,264	16,416	-
Operating supplies	5,071	17,885	22,956	13,258
Uniforms	-	770	770	-
Gasoline and oil	305	-	305	23,012
Postage	1,014	1,289	2,303	-
Purchased services - other	9,981	7,199	17,180	85
Purchased services - water testing	855	1,800	2,655	-
Purchased services - rodding	-	2,800	2,800	-
Purchased services - sludge removal	-	33,109	33,109	-
Purchased services - engineering	-	4,340	4,340	-
Purchased services - audit	1,200	2,800	4,000	500
Permits and fees	-	3,227	3,227	-
Telephone	1,352	5,424	6,776	-
Public utilities	23,182	48,414	71,596	-
Training, education and seminars	-	265	265	-
Memberships	1,865	95	1,960	-
Repairs and maintenance	4,736	10,733	15,469	14,922
Insurance	2,460	1,286	3,746	8,447
Printing	280	-	280	-
Miscellaneous expense	8,628	5,205	13,833	-
Allocation of equipment costs	12,717	13,739	26,456	-
Depreciation	106,979	208,347	315,326	47,417
Total operating expenses	<u>290,644</u>	<u>571,798</u>	<u>862,442</u>	<u>136,762</u>
OPERATING INCOME (LOSS)	<u>(24,473)</u>	<u>(130,915)</u>	<u>(155,388)</u>	<u>(10,257)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	931	1,147	2,078	492
Collection of tax assessments	-	46,250	46,250	-
Interest expense	(5,281)	(8,921)	(14,202)	-
Total non-operating revenues (expenses)	<u>(4,350)</u>	<u>38,476</u>	<u>34,126</u>	<u>492</u>
Net change in net position	(28,823)	(92,439)	(121,262)	(9,765)
NET POSITION - Beginning of year	<u>2,681,574</u>	<u>2,486,834</u>	<u>5,168,408</u>	<u>438,503</u>
NET POSITION - End of year	<u>\$ 2,652,751</u>	<u>\$ 2,394,395</u>	<u>\$ 5,047,146</u>	<u>\$ 428,738</u>

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

VILLAGE OF MANCHESTER
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 265,675	\$ 437,780	\$ 703,455	\$ 126,362
Payments to suppliers	(51,504)	(167,889)	(219,393)	(56,077)
Payments to employees	(102,604)	(189,296)	(291,900)	(29,148)
Payments (to) from other funds	(4,227)	92,122	87,895	(100,347)
Net cash provided (used) by operating activities	<u>107,340</u>	<u>172,717</u>	<u>280,057</u>	<u>(59,210)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(31,514)	(138,340)	(169,854)	-
Principal and interest paid on capital debt	(40,500)	(44,182)	(84,682)	-
Proceeds from tax collections	-	46,387	46,387	-
Net cash provided (used) by capital and related financing activities	<u>(72,014)</u>	<u>(136,135)</u>	<u>(208,149)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	931	1,147	2,078	492
Net increase (decrease) in cash and cash equivalents	36,257	37,729	73,986	(58,718)
Balances - beginning of year	<u>676,675</u>	<u>658,167</u>	<u>1,334,842</u>	<u>195,030</u>
Balances - end of year	<u>\$ 712,932</u>	<u>\$ 695,896</u>	<u>\$ 1,408,828</u>	<u>\$ 136,312</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (24,473)	\$ (130,915)	\$ (155,388)	\$ (10,257)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	106,979	208,347	315,326	47,417
Change in assets and liabilities				
Receivables - net	(496)	(3,106)	(3,602)	(143)
Due from other funds	(4,558)	90,627	86,069	(1,508)
Inventories	471	-	471	-
Accounts and other payables	28,823	1,758	30,581	4,147
Due to other funds	331	1,495	1,826	(98,839)
Accrued expenses	263	4,511	4,774	(27)
Net cash provided by operating activities	<u>\$ 107,340</u>	<u>\$ 172,717</u>	<u>\$ 280,057</u>	<u>\$ (59,210)</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>EMPLOYEE INSURANCE FUND</u>	<u>SICK PAY BENEFIT FUND</u>	<u>AGENCY FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 52,944	\$ -	\$ 19,842
Investments	-	53,856	-
Accounts receivable - taxes	-	-	6,434
	<u>52,944</u>	<u>53,856</u>	<u>\$ 26,276</u>
LIABILITIES			
Accounts payable	103	-	\$ -
Accrued leave time	-	26,397	-
Due to other funds	-	-	276
Advances from other funds	-	-	26,000
	<u>103</u>	<u>26,397</u>	<u>\$ 26,276</u>
NET POSITION			
Held in trust for employee benefits	<u>\$ 52,841</u>	<u>\$ 27,459</u>	

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

VILLAGE OF MANCHESTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	EMPLOYEE INSURANCE FUND	SICK PAY BENEFIT FUND
ADDITIONS		
Employer contributions	\$ 13,596	\$ -
Interest income	70	199
Total additions	13,666	199
DEDUCTIONS		
Benefits	8,720	2,271
Change in net assets	4,946	(2,072)
Net position - beginning of year	47,895	29,531
Net position - end of year	\$ 52,841	\$ 27,459

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

VILLAGE OF MANCHESTER
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

	<u>PAGE NUMBER</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:	
A. DESCRIPTION OF VILLAGE OPERATIONS	19
B. REPORTING ENTITY	19
C. GOVERNMENT-WIDE FINANCIAL STATEMENTS	19
D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION	20
E. CASH AND CASH EQUIVALENTS	22
F. RECEIVABLES	22
G. INVENTORIES	22
H. PREPAID EXPENSES	22
I. CAPITAL ASSETS	22
J. FUND EQUITY	23
K. ACCUMULATED UNPAID LEAVE PAY	23
L. LONG-TERM OBLIGATIONS	23
M. ESTIMATES	23
N. INTERFUND TRANSACTIONS	23
NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: BUDGETARY INFORMATION	23
BUDGET VIOLATIONS	24
NOTE 3 - PROPERTY TAXES	24
NOTE 4 - CASH AND INVESTMENTS	25
NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES	26
NOTE 6 - CAPITAL ASSETS	28
NOTE 7 - EMPLOYEES' PENSION PLAN	30
NOTE 8 - OTHER POST RETIRMENT BENEFITS	30
NOTE 9 - CHANGES IN LONG-TERM DEBT	32
NOTE 10 - RISK MANAGEMENT	34
NOTE 11 - JOINT VENTURE	34
NOTE 12 - INTERFUND TRANSFERS	34

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

The accounting methods and procedures adopted by the Village of Manchester, (the Village), conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village of Manchester.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS -

The Village of Manchester was organized in 1874 and is located in the southwestern portion of Washtenaw County. The Village operates under an elected Village Council and provides services to more than 2,000 residents. These services include law enforcement, water and sewer, and community enrichment and development.

B. REPORTING ENTITY -

As required by generally accepted accounting principles, the financial statements of the Village of Manchester include its primary government, its component unit, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria established by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Downtown Development Authority (DDA) has been included in the reporting entity as a discretely presented component unit. The DDA was created by the Village in a resolution in March 21, 2005, under the authority of Michigan Public ACT 197.

The Downtown Development Authority (DDA) is governed by a separate nine member board. The DDA's primary function is to provide for the acquisition, construction and financing of necessary street, sidewalk, streetscape, parking improvements and other facilities needed in the Downtown District to achieve the objectives of the Authority and to prevent further deterioration of the Downtown District while promoting economic growth to all taxing units located within and benefitting from the Downtown District.

There are no separately issued financial statements for the Downtown Development Authority. No reconciliation for GASB 34 is necessary for the DDA.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS -

The Government-Wide Financial Statements report information on all of the nonfiduciary activities of the Village of Manchester. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, 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.

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 revenue.

Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds, even though the latter are excluded from the Government-Wide Financial Statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as a separate column in the fund financial statements.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. 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. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Village reports the following Major Governmental Funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.
- The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.
- The Municipal Street Fund accounts for resources received from special assessment taxes levied for street purposes by making contributions to the Major and Local Street Funds.
- The Parks and Recreation Fund accounts for resources received from special assessment taxes levied for the purpose of operating and maintaining the Village's parks and recreational activities.

The Village reports the following Major Proprietary Funds:

The Water and Sewer Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and focus on net income similar to the private sector.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - (Continued)

Additionally, the Village reports the following fund types:

- The Equipment Internal Service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in Government-Wide Financial Statements)

- Expendable Trust Funds are funds whose entire resources, principal and income, may be expended in the course of their designated operations. The Village has two expendable trust funds:
- The Employee Insurance Fund accounts for resources contributed by the general fund to reimburse Village employees for dental, prescription, and optical charges which they incur.
- The DPW Benefit Fund accounts for resources set aside to pay employees accumulated leave time when they leave employment. (Employees hired prior to a new policy were allowed to retain accumulated earned but unused leave time).

Agency funds account for assets held by the Village in a purely custodial capacity, the reporting entity includes three agency funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The Agency Funds are as follows:

- The Payroll Fund accounts for taxes and other employee deductions which are to be distributed to organizations and other government units.
- The Tax Revenue Fund accounts for property tax collections to be distributed to various Village funds.
- The Operational Clearing Fund processes the cash disbursements for all other funds.

As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary Funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our Proprietary Funds relate to charges to customers for sales and services. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. CASH AND CASH EQUIVALENTS -

The Village has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in government pooled accounts. Because these accounts have liquidity similar to a regular checking account, they are presented as a cash equivalent in the financial statements.

F. RECEIVABLES -

The Village of Manchester records various receivables which are listed and described as follows:

- 1) Accounts Receivable - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types, and for amounts due from Fiduciary Funds as of June 30, 2014.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue in the General Fund, and Fuel Tax revenues in the Major and Local Street Funds.

G. INVENTORIES -

Inventories are valued at the lower of cost or market. The inventories in the Water and Sewer Enterprise Funds consist of parts and supplies which are available to be sold or used by the Village.

H. PREPAID EXPENSES -

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit. The reserve for prepaid items in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

I. CAPITAL ASSETS -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Water and Sewer lines	30 to 50 years
Roads	10 to 30 years
Vehicles and equipment	5 to 10 years

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

J. FUND EQUITY -

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Village Council. A formal resolution of the Village Council is required to establish, modify, or rescind a fund balance commitment. The Village reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

K. ACCUMULATED UNPAID LEAVE PAY -

It is the Village's policy to permit employees to accumulate earned but unused leave time up to 40 hours. At June 30, 2014, the liability included \$33,855 unpaid leave benefits reported in the Governmental Funds. All leave pay is accrued when incurred in the Government-Wide and Fiduciary Fund Financial Statements.

L. LONG-TERM OBLIGATIONS -

In the Government Wide Financial Statements and Proprietary Fund types in the 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 statement of net position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

M. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. INTERFUND TRANSACTIONS -

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION -

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

The budget document presents information by fund, function, department and line item. The legal level of budgetary control adopted by the governing body is the department level.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

BUDGET VIOLATIONS -

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>FUND/DEPARTMENT</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>(EXCESS BUDGET VARIANCE)</u>
GENERAL FUND			
Building and grounds	\$ 181,500	\$ 265,228	\$ (83,728)
Street lights	40,000	42,164	(2,164)
Farmers Market	6,850	8,332	(1,482)
Total	<u>\$ 228,350</u>	<u>\$ 315,724</u>	<u>\$ (87,374)</u>
MAJOR STREET FUND			
Street maintenance	\$ 98,075	\$ 116,413	\$ (18,338)
Traffic services	11,200	11,397	(197)
Total	<u>\$ 109,275</u>	<u>\$ 127,810</u>	<u>\$ (18,535)</u>
LOCAL STREET FUND			
Bridge maintenance	\$ 80	\$ 213	\$ (133)
Traffic services	8,350	10,511	(2,161)
Total	<u>\$ 8,430</u>	<u>\$ 10,724</u>	<u>\$ (2,294)</u>
MUNICIPAL STREET FUND			
Administration	<u>\$ -</u>	<u>\$ 111</u>	<u>(111)</u>

NOTE 3 - PROPERTY TAXES:

Real and personal property taxes are levied on each July 1st on the property located in the Village as of the preceding December 31, the lien date. These taxes are due to the Village by the first day of the following March. Real property taxes not paid by this date are considered delinquent, and are sent over to Washtenaw County for collection. Delinquent real property taxes are paid to the Village by Washtenaw County, therefore the General Fund reflects as revenue the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected.

The Village's operating tax rate is currently 15.8052 mills and is distributed as follows:

General Operation	10.7944
Highways and Streets	2.2612
Parks and Recreation	0.6019
Debt Service	2.1477
Total	<u>15.8052</u>

The taxable value of real and personal property located in the Village was \$64,696,349.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CASH AND INVESTMENTS:

The Village Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Village.

Cash and cash equivalents of the Village can be categorized as follows:

	Carrying Amount
Cash on hand	\$ 225
Insured (FDIC)	3,001,680
Uninsured and uncollateralized	171,765
	<u>\$ 3,173,670</u>
Reported in financial statements:	
Governmental funds	\$ 1,897,750
Proprietary funds (Business-type)	1,203,134
Fiduciary funds	72,786
	<u>\$ 3,173,670</u>
Component Unit: DDA	
Insured	\$ -
Uninsured and uncollateralized	12,257
	<u>\$ 12,257</u>

The Village investments consist of certificates of deposit with a maturity of greater than 90 days. The Village has chosen to disclose its investments by specifically identifying each. As of June 30, 2014, the Village had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Certificate of Deposit - Insured	2/5/15	\$ 53,856	AAA
Certificate of Deposit - Insured	11/6/14	55,174	AAA
Certificate of Deposit - Insured	11/6/14	104,106	AAA
Certificate of Deposit - Insured	5/14/15	101,588	AAA
		<u>\$ 314,724</u>	

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CASH AND INVESTMENTS: (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village minimizes this risk by investing in shorter term securities and holding them to maturity.

Concentration of Credit Risk

The Village's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by public agencies.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at June 30, 2014, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Trust & Agency	\$ 40
	-	Tax Collection	57
	-	Operational Clearing	155
	<u>252</u>		<u>252</u>
Major Street	-	General	4,257
	-	Municipal Street	27,500
	<u>31,757</u>		<u>31,757</u>
Local Street	<u>2,735</u>	General	<u>2,735</u>
Subtotal	<u>34,744</u>	Subtotal	<u>34,744</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (Continued)

RECEIVABLES	PAYABLES		
Carryover		Carryover	
\$ 34,744		\$ 34,744	
Parks & Recreation	-	General	32,174
	-	Tax Collection	4
	<u>32,178</u>		<u>32,178</u>
Municipal Street	<u>15</u>	Tax Collection	<u>15</u>
Water	<u>5,151</u>	General	<u>5,151</u>
Sewer	-	General	9,455
	-	Tax Collection	5
	<u>9,460</u>		<u>9,460</u>
Equipment	-	General	3,481
	-	Major Street	1,560
	-	Local Street	1,578
	-	Parks	500
	-	Sewer	1,495
	-	Water	1,032
	<u>9,646</u>		<u>9,646</u>
Total	<u>\$ 91,194</u>	Total	<u>\$ 91,194</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – CAPITAL ASSETS:

Capital asset activity of the Village of Manchester for the current year was as follows:

	<u>07/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/14</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 132,591	\$ -	\$ -	\$ 132,591
Capital assets being depreciated				
Land improvements	826,290	172,401	-	998,691
Buildings and improvements	2,274,751	-	-	2,274,751
Equipment, furniture and fixtures	1,057,850	-	-	1,057,850
Infrastructure - roads	4,024,728	63,595	-	4,088,323
Subtotal	<u>8,183,619</u>	<u>235,996</u>	<u>-</u>	<u>8,419,615</u>
Less accumulated depreciation for				
Land improvements	157,337	39,236	-	196,573
Buildings and improvements	774,881	66,024	-	840,905
Equipment, furniture and fixtures	621,252	57,404	-	678,656
Infrastructure - roads	2,185,847	180,224	-	2,366,071
Subtotal	<u>3,739,317</u>	<u>342,888</u>	<u>-</u>	<u>4,082,205</u>
Net capital assets being depreciated	<u>4,444,302</u>	<u>(106,892)</u>	<u>-</u>	<u>4,337,410</u>
Capital assets - net of depreciation	<u>\$ 4,576,893</u>	<u>\$ (106,892)</u>	<u>\$ -</u>	<u>\$ 4,470,001</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – CAPITAL ASSETS: (Continued)

Capital asset activity of the Village of Manchester for the current year was as follows: (Continued)

	<u>07/10/13</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>06/30/14</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Capital assets being depreciated				
Buildings and improvements	130,548	-	-	130,548
Equipment, furniture and fixtures	728,626	11,731	10,457	729,900
Distribution and collections system	8,705,073	158,122	-	8,863,195
Subtotal	<u>9,564,247</u>	<u>169,853</u>	<u>10,457</u>	<u>9,723,643</u>
Less accumulated depreciation for				
Buildings and improvements	44,005	10,806	-	54,811
Equipment, furniture and fixtures	388,770	47,063	1,831	434,002
Distribution and collection system	4,973,988	257,457	-	5,231,445
Subtotal	<u>5,406,763</u>	<u>315,326</u>	<u>1,831</u>	<u>5,720,258</u>
Net capital assets being depreciated	<u>4,157,484</u>	<u>(145,473)</u>	<u>8,626</u>	<u>4,003,385</u>
Capital assets - net of depreciation	<u>\$ 4,187,489</u>	<u>\$ (145,473)</u>	<u>\$ 8,626</u>	<u>\$ 4,033,390</u>

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

GOVERNMENTAL ACTIVITIES	<u>\$ 342,888</u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 106,979
Sewer	<u>208,347</u>
Total business type activities	<u>\$ 315,326</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – EMPLOYEES' PENSION PLAN:

The Village contributes to a contributory money purchase retirement plan, administered by CPI Qualified Plan Consultants, Inc., which covers all eligible employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by the Village vest over a five year period at 20% annually. The Village is required to match the employees' voluntary contributions to their Section 457 Deferred Compensation Plan. The Village will match up to 6% of the employees' gross earnings.

During the year ending June 30, 2014, the Village's required contributions amounted to \$24,513 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2014, was \$492,736 and total payroll subject to retirement benefits was \$419,912.

The pension plan held no securities on the Village or other related parties during the year or as of the close of the fiscal year.

The Village of Manchester also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees at their option, permits participants to defer a portion (up to 75%) of their salary until future years.

NOTE 8 – OTHER POST RETIREMENT BENEFITS:

The Village provides post-employment health care benefits to eligible retirees. Employees who obtain the age of 62 with 20 years of service are eligible for 70/30 (70% covered by the Village and 30% by the employee), or age 62 with 30 years of service are eligible for 80/20 insurance coverage. Coverage of the retiree's spouse and/or dependants is the responsibility of the employee.

For the year ended June 30, 2014, the Village has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2012. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities over a period not to exceed thirty years.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – OTHER POST RETIREMENT BENEFITS: (Continued)

The valuation’s computed contribution is summarized as follows:

The annual required contribution was allocated with other employee benefits in the financial statements.

The Village contributed 100% of the ARC for the year ended June 30, 2014.

The funding progress of the Plan as of the most recent valuation date is as follows:

Valuation as of July 1, 2012:

Present Value of Future Benefits:	
Retirees	\$ 28,923
Active Members	272,629
Total Present Value of Future Benefits	<u>\$ 301,552</u>
Actuarial Accrued Liability	\$ 160,930
Actuarial Value of Assets	104,489
Unfunded Actuarial Accrued Liability	<u>\$ 56,441</u>

Actuarial 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 healthcare cost trends. Amounts determined regarding the funding status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections for benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the actuarial assumptions include the following:

Discount Rate	5.50%
Investment Rate of Return	7.45%
Cost of Living Adjustment	3.00%

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - CHANGES IN LONG-TERM DEBT:

The general long-term debt and other long-term obligations of the Village of Manchester, and the changes therein, may be summarized as follows:

	<u>DEBT OUT- STANDING 07/01/13</u>	<u>ADDITIONS OF NEW DEBT</u>	<u>RETIREMENTS AND REPAYMENTS</u>	<u>DEBT OUT- STANDING 06/30/14</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
2010 General Obligation Bonds, \$795,000 maturing serially in annual amounts ranging from \$56,458 to \$86,485 at an interest rate of 2.0% to 4.0%.	\$ 595,418	\$ -	\$ (69,854)	\$ 525,564
2010 General Obligation Bonds, \$400,000 maturing serially in annual amounts ranging from \$28,452 to \$43,515 at an interest rate of 2.0% to 4.0%.	299,582	-	(35,146)	264,436
1998 Michigan Drinking Water Revolving Fund program bonds, \$620,000 maturing serially in annual amounts ranging from \$25,000 to \$40,000 at an interest rate of 2.5%	220,000	-	(35,000)	185,000
Total business type activities	<u>\$ 519,582</u>	<u>\$ -</u>	<u>\$ (70,146)</u>	<u>\$ 449,436</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - CHANGES IN LONG-TERM DEBT: (Continued)

The Governmental Activities Debt Bonds were issued to finance the purchase of a new community center. Repayment of the bonds is to be made from taxes assessed. The annual requirements to maturity for principal and interest are as follows:

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2015	\$ 69,853	\$ 16,567
2016	73,180	14,995
2017	76,506	13,056
2018	79,833	10,761
2019	83,159	8,246
Thereafter	143,033	7,680
	\$ 525,564	\$ 71,305

The Business Type Bonds were issued to finance construction of the Village's Water & Sewer System. Repayment of the bonds is to be made from revenues generated by the system and from taxes assessed. The remaining annual requirements to maturity for principal and interest are as follows:

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2015	\$ 70,146	\$ 12,961
2016	71,820	11,295
2017	73,494	9,444
2018	80,167	7,414
2019	81,841	5,149
Thereafter	71,968	3,864
	\$ 449,436	\$ 50,127

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for claims.

NOTE 11 – JOINT VENTURE:

The Western Washtenaw Construction Authority was organized in January 2000. The Authority operates under an operating agreement between the Village of Manchester and the Townships of Manchester, Freedom and Bridgewater to provide for joint enforcement and administration of construction codes. The agreement provides that if for any reason the expenditures exceed the revenues during any fiscal year, the Authority may require a contribution from the participants.

NOTE 12 – INTERFUND TRANSFERS:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 28,000
Parks and Recreation Fund	28,000	-
	<u>\$ 28,000</u>	<u>\$ 28,000</u>
Municipal Street	\$ -	\$ 105,000
Major Street	27,500	-
Local Street	77,500	-
Total	<u>\$ 105,000</u>	<u>\$ 105,000</u>

Transfers are used to move revenues from the fund that is required to collect them to the funds that are required or allowed to expend them.

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Property taxes	\$ 761,555	\$ 761,555	\$ 764,051	\$ 2,496
Franchise fees	24,000	24,000	26,737	2,737
Licenses and permits	2,530	2,530	3,585	1,055
Fees and fines	5,530	5,730	6,904	1,174
Intergovernmental				
Sales tax	174,000	181,600	182,624	1,024
State liquor control	-	1,700	1,787	87
State Metro Act	7,000	7,000	7,445	445
Total	<u>181,000</u>	<u>190,300</u>	<u>191,856</u>	<u>1,556</u>
Charges for services				
Reimbursed services	2,750	2,750	3,092	342
Garbage pickup	97,150	104,000	104,171	171
Total	<u>99,900</u>	<u>106,750</u>	<u>107,263</u>	<u>513</u>
Rental income	85,100	86,200	86,284	84
Interest income	1,360	1,360	1,906	546
Capital contributions	-	-	97,610	97,610
Grants - Farmers Market	8,000	8,000	8,000	-
Other revenues	100	100	162	62
Total Revenues	<u>\$ 1,169,075</u>	<u>\$ 1,186,525</u>	<u>\$ 1,294,358</u>	<u>\$ 107,833</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
LEGISLATIVE:				
VILLAGE COUNCIL:				
Salaries and wages	\$ -	\$ -	\$ 33,462	\$ -
Payroll taxes	-	-	2,494	-
Employee benefits	-	-	7,757	-
Printing	-	-	57	-
Memberships	-	-	1,626	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
Total legislative	<u>50,310</u>	<u>50,310</u>	<u>48,396</u>	<u>1,914</u>
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	86,069	-
Payroll taxes	-	-	6,487	-
Employee benefits	-	-	21,338	-
Operating supplies	-	-	6,910	-
Training, education and seminars	-	-	145	-
Postage	-	-	5,543	-
Telephone	-	-	4,898	-
Memberships	-	-	345	-
Purchased services - legal	-	-	1,940	-
Purchased services - audit	-	-	4,700	-
Purchased services - other	-	-	3,511	-
Garbage services	-	-	88,869	-
Printing	-	-	696	-
Insurance	-	-	15,047	-
Travel	-	-	989	-
Repairs and maintenance	-	-	3,176	-
Miscellaneous	-	-	536	-
Total	<u>260,550</u>	<u>256,100</u>	<u>251,199</u>	<u>4,901</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
BUILDING AND GROUNDS:				
Salaries and wages	-	-	9,142	-
Payroll taxes	-	-	690	-
Employee benefits	-	-	1,396	-
Operating supplies	-	-	6,336	-
Public utilities	-	-	53,027	-
Insurance	-	-	11,204	-
Purchased services - cleaning	-	-	22,749	-
Purchased services - other	-	-	7,779	-
Repairs and maintenance	-	-	9,723	-
Capital outlay	-	-	130,478	-
Allocation of equipment costs	-	-	12,704	-
Total	162,900	181,500	265,228	(83,728)
Total general government	423,450	437,600	516,427	(78,827)
PUBLIC WORKS:				
DEPARTMENT OF PUBLIC WORKS:				
Operating supplies	-	-	1,132	-
Uniforms	-	-	1,199	-
Purchased services - other	-	-	507	-
Telephone	-	-	2,949	-
Memberships	-	-	256	-
Miscellaneous	-	-	185	-
Total	7,510	7,510	6,228	1,282
TREE REMOVAL AND REPLACEMENT:				
Salaries and wages	-	-	201	-
Payroll taxes	-	-	15	-
Employee benefits	-	-	71	-
Purchased services - other	-	-	7,745	-
Allocation of equipment costs	-	-	277	-
Total	15,475	11,225	8,309	2,916
SIDEWALK CONSTRUCTION:				
Salaries and wages	-	-	170	-
Payroll taxes	-	-	13	-
Employee benefits	-	-	69	-
Allocation of equipment costs	-	-	139	-
Total	13,000	1,000	391	609
LIGHTING:				
Street lighting	59,000	40,000	42,164	(2,164)

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
PUBLIC WORKS: (Continued)				
RECYCLING:				
Salaries and wages	-	-	8,108	-
Payroll taxes	-	-	619	-
Employee benefits	-	-	2,198	-
Operating supplies	-	-	75	-
Allocation of equipment costs	-	-	11,393	-
Total	<u>25,725</u>	<u>25,725</u>	<u>22,393</u>	<u>3,332</u>
Total public works	<u>120,710</u>	<u>85,460</u>	<u>79,485</u>	<u>5,975</u>
PUBLIC SAFETY:				
POLICE ADMINISTRATION:				
Purchased services - Police	-	-	488,738	-
Purchased services - Legal	-	-	5,610	-
Total	<u>478,582</u>	<u>500,582</u>	<u>494,348</u>	<u>6,234</u>
PLANNING COMMISSION:				
Salaries and wages	-	-	1,099	-
Payroll taxes	-	-	84	-
Employee benefits	-	-	17	-
Purchased services - planning	-	-	3,150	-
Total	<u>10,750</u>	<u>7,100</u>	<u>4,350</u>	<u>2,750</u>
Total public safety	<u>489,332</u>	<u>507,682</u>	<u>498,698</u>	<u>8,984</u>
RECREATION AND CULTURE:				
FARMERS MARKET:				
Purchased services	-	-	4,113	-
Travel	-	-	1,400	-
Printing	-	-	1,179	-
Community promotion	-	-	543	-
Community resource center	-	-	787	-
Miscellaneous	-	-	310	-
Total recreation and culture	<u>6,850</u>	<u>6,850</u>	<u>8,332</u>	<u>(1,482)</u>
DEBT SERVICE:				
MUNICIPAL BOND EXPENDITURES:				
Bond principal payments	-	-	69,854	-
Interest	-	-	17,731	-
Tax refunds	-	-	67	-
Total debt service	<u>87,930</u>	<u>87,930</u>	<u>87,652</u>	<u>278</u>
Total expenditures	<u>1,178,582</u>	<u>1,175,832</u>	<u>1,238,990</u>	<u>(63,158)</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
Excess of revenues over expenditures before other financing sources (uses)	(9,507)	10,693	55,368	44,675
Other financing sources (Uses)				
Operating transfers (out)	<u>(28,000)</u>	<u>(28,000)</u>	<u>(28,000)</u>	<u>-</u>
Net change in fund balances	(37,507)	(17,307)	27,368	44,675
Fund balance, beginning of year	<u>1,163,967</u>	<u>1,163,967</u>	<u>1,163,967</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,126,460</u>	<u>\$ 1,146,660</u>	<u>\$ 1,191,335</u>	<u>\$ 44,675</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 109,000	\$ 109,000	\$ 120,789	\$ 11,789
Interest income	90	90	90	-
Other revenues	356,564	6,900	7,051	151
Total revenues	<u>465,654</u>	<u>115,990</u>	<u>127,930</u>	<u>11,940</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	25,738	-
Payroll taxes	-	-	1,919	-
Employee benefits	-	-	8,748	-
Repairs and maintenance	-	-	372	-
Insurance	-	-	1,917	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	400	-
Total General Government	<u>40,075</u>	<u>40,075</u>	<u>39,194</u>	<u>881</u>
PUBLIC WORKS:				
STREET MAINTENANCE:				
Salaries and wages	-	-	26,000	-
Payroll taxes	-	-	1,891	-
Employee benefits	-	-	8,827	-
Operating supplies	-	-	1,960	-
Purchased services - other	-	-	80	-
Purchased services - street construction	-	-	56,538	-
Allocation of equipment costs	-	-	21,117	-
Total	<u>496,480</u>	<u>98,075</u>	<u>116,413</u>	<u>(18,338)</u>
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	210	-
Payroll taxes	-	-	16	-
Employee benefits	-	-	70	-
Operating supplies	-	-	145	-
Purchased services - engineering	-	-	8,782	-
Allocation of equipment costs	-	-	83	-
Total	<u>2,190</u>	<u>66,840</u>	<u>9,306</u>	<u>57,534</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	6,612	-
Payroll taxes	-	-	500	-
Employee benefits	-	-	1,943	-
Operating supplies	-	-	5,063	-
Purchased services - other	-	-	172	-
Allocation of equipment costs	-	-	12,036	-
Total	<u>17,825</u>	<u>27,325</u>	<u>26,326</u>	<u>999</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES (Continued):				
PUBLIC WORKS: (Continued)				
TRAFFIC SERVICES:				
Salaries and wages	-	-	2,606	-
Payroll taxes	-	-	217	-
Employee benefits	-	-	893	-
Operating supplies	-	-	6,214	-
Allocation of equipment costs	-	-	1,467	-
Total	<u>3,400</u>	<u>11,200</u>	<u>11,397</u>	<u>(197)</u>
Total public works	<u>519,895</u>	<u>203,440</u>	<u>163,442</u>	<u>39,998</u>
Total expenditures	<u>559,970</u>	<u>243,515</u>	<u>202,636</u>	<u>40,879</u>
Excess of revenues over expenditures before other financing sources (uses)	(94,316)	(127,525)	(74,706)	52,819
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>34,316</u>	<u>37,525</u>	<u>27,500</u>	<u>(10,025)</u>
NET CHANGE IN FUND BALANCE	(60,000)	(90,000)	(47,206)	42,794
FUND BALANCE, BEGINNING OF YEAR	<u>111,843</u>	<u>111,843</u>	<u>111,843</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 51,843</u>	<u>\$ 21,843</u>	<u>\$ 64,637</u>	<u>\$ 42,794</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 44,000	\$ 44,000	\$ 46,182	\$ 2,182
Interest income	10	10	16	6
Other revenues	-	5,000	5,058	58
Total revenues	<u>44,010</u>	<u>49,010</u>	<u>51,256</u>	<u>2,246</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	7,950	-
Payroll taxes	-	-	592	-
Employee benefits	-	-	2,705	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	500	-
Insurance	-	-	3,450	-
Repairs and maintenance	-	-	372	-
Total General Government	<u>16,125</u>	<u>16,125</u>	<u>15,669</u>	<u>456</u>
PUBLIC WORKS:				
STREET MAINTENANCE:				
Salaries and wages	-	-	24,014	-
Payroll taxes	-	-	1,778	-
Employee benefits	-	-	8,229	-
Operating supplies	-	-	2,380	-
Purchased services - other	-	-	380	-
Street patching	-	-	4,415	-
Crack Sealing	-	-	9,016	-
Allocation of equipment costs	-	-	19,624	-
Total	<u>68,000</u>	<u>73,820</u>	<u>69,836</u>	<u>3,984</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	4,931	-
Payroll taxes	-	-	371	-
Employee benefits	-	-	1,593	-
Operating supplies	-	-	5,051	-
Contracted services - other	-	-	172	-
Allocation of equipment costs	-	-	10,650	-
Total	<u>16,475</u>	<u>23,375</u>	<u>22,768</u>	<u>607</u>
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	31	-
Payroll taxes	-	-	2	-
Employee benefits	-	-	73	-
Operating supplies	-	-	86	-
Allocation of equipment costs	-	-	21	-
Total	<u>80</u>	<u>80</u>	<u>213</u>	<u>(133)</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES: (Continued)				
PUBLIC WORKS: (Continued)				
TRAFFIC SERVICES:				
Salaries and wages	-	-	1,906	-
Payroll taxes	-	-	161	-
Employee benefits	-	-	614	-
Operating supplies	-	-	6,400	-
Allocation of equipment costs	-	-	1,430	-
Total	<u>5,000</u>	<u>8,350</u>	<u>10,511</u>	<u>(2,161)</u>
Total public works	<u>89,555</u>	<u>105,625</u>	<u>103,328</u>	<u>2,297</u>
Total expenditures	<u>105,680</u>	<u>121,750</u>	<u>118,997</u>	<u>2,753</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(61,670)</u>	<u>(72,740)</u>	<u>(67,741)</u>	<u>4,999</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>61,670</u>	<u>72,740</u>	<u>77,500</u>	<u>4,760</u>
NET CHANGE IN FUND BALANCE	-	-	9,759	9,759
FUND BALANCE, BEGINNING OF YEAR	<u>4,057</u>	<u>4,057</u>	<u>4,057</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,057</u>	<u>\$ 4,057</u>	<u>\$ 13,816</u>	<u>\$ 9,759</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL STREET FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Property taxes	\$ 141,100	\$ 141,100	\$ 141,573	\$ 473
Interest income	455	455	571	116
Total revenues	<u>141,555</u>	<u>141,555</u>	<u>142,144</u>	<u>589</u>
EXPENDITURES:				
ADMINISTRATION:				
Tax refunds	<u>-</u>	<u>-</u>	<u>111</u>	<u>(111)</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>141,555</u>	<u>141,555</u>	<u>142,033</u>	<u>478</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>(95,986)</u>	<u>(110,265)</u>	<u>(105,000)</u>	<u>5,265</u>
NET CHANGE IN FUND BALANCE	45,569	31,290	37,033	5,743
FUND BALANCE, BEGINNING OF YEAR	<u>345,303</u>	<u>345,303</u>	<u>345,303</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 390,872</u>	<u>\$ 376,593</u>	<u>\$ 382,336</u>	<u>\$ 5,743</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION FUND
YEAR ENDED JUNE 30, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Property taxes	\$ 37,550	\$ 37,550	\$ 37,685	\$ 135
Grants and contributions	-	151,200	151,200	-
Interest income	125	125	211	86
Other revenues	100	100	360	260
Total revenues	<u>37,775</u>	<u>188,975</u>	<u>189,456</u>	<u>481</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	15,805	-
Payroll taxes	-	-	1,145	-
Employee benefits	-	-	2,398	-
Operating supplies	-	-	1,212	-
Purchased services - other	-	-	3,088	-
Purchased services - audit	-	-	400	-
Purchased services - engineering	-	-	41,923	-
Public utilities	-	-	2,161	-
Printing	-	-	28	-
Insurance	-	-	1,810	-
Repairs and maintenance	-	-	372	-
Miscellaneous	-	-	30	-
Allocation of equipment costs	-	-	6,000	-
Total expenditures	<u>37,775</u>	<u>84,240</u>	<u>76,372</u>	<u>7,868</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>-</u>	<u>104,735</u>	<u>113,084</u>	<u>8,349</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>-</u>	<u>28,000</u>	<u>28,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>132,735</u>	<u>141,084</u>	<u>8,349</u>
FUND BALANCE, BEGINNING OF YEAR	<u>69,893</u>	<u>69,893</u>	<u>69,893</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 69,893</u>	<u>\$ 202,628</u>	<u>\$ 210,977</u>	<u>\$ 8,349</u>

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

VILLAGE OF MANCHESTER

OTHER INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2014

	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>PRINCIPLE</u>	<u>INTEREST</u>
<u>BUSINESS TYPE ACTIVITIES</u>						
UNLIMITED TAX GENERAL OBLIGATION BONDS -						
Sewer - Series 2010	06/22/10	\$ 400,000	2.25%	05/01/15	\$ 35,146	\$ 8,336
			2.65%	05/01/16	36,820	7,545
			3.00%	05/01/17	38,494	6,569
			3.15%	05/01/18	40,167	5,414
			3.40%	05/01/19	41,841	4,149
			3.65%	05/01/20	43,515	2,726
			4.00%	05/01/21	<u>28,453</u>	<u>1,138</u>
Total Unlimited Tax General Obligation Bonds					<u>\$ 264,436</u>	<u>\$ 35,877</u>
<u>MICHIGAN MUNICIPAL BOND AUTHORITY</u>						
Michigan Drinking Water Revolving Fund	09/29/98	\$ 620,000	2.50%	04/01/15	\$ 35,000	\$ 4,625
			2.50%	04/01/16	35,000	3,750
			2.50%	04/01/17	35,000	2,875
			2.50%	04/01/18	40,000	2,000
			2.50%	04/01/19	<u>40,000</u>	<u>1,000</u>
Total Michigan Drinking Water Revolving Fund Program					<u>\$ 185,000</u>	<u>\$ 14,250</u>
Total Water and Sewer Enterprise Funds					<u>\$ 449,436</u>	<u>\$ 50,127</u>
<u>GOVERNMENTAL ACTIVITIES</u>						
UNLIMITED TAX GENERAL OBLIGATION BONDS -						
Sewer - Series 2010	06/22/10	\$ 795,000	2.25%	05/01/15	\$ 69,854	\$ 16,567
			2.65%	05/01/16	73,180	14,995
			3.00%	05/01/17	76,506	13,056
			3.15%	05/01/18	79,833	10,761
			3.40%	05/01/19	83,159	8,246
			3.65%	05/01/20	86,485	5,419
			4.00%	05/01/21	<u>56,547</u>	<u>2,261</u>
Total General Government Activity					<u>\$ 525,564</u>	<u>\$ 71,305</u>

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION OF AUDITOR/VILLAGE RESPONSIBILITY

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester for the year ended June 30, 2014, and have issued our report thereon dated October 21, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated September 22, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Manchester are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Village of Manchester during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

The postretirement benefit obligations and annual expense under the accrual accounting standards of GASB 45.

The depreciable lives of the capital assets. We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2014.

Village Council
Village of Manchester
Page Three

Management Consultations with Other Independent Accountants

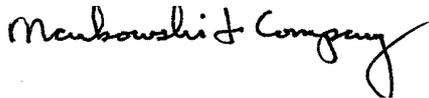
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Village of Manchester’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Manchester’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village Council and management of the Village of Manchester and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs
October 21, 2014

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351 • FAX (517) 782-0599

WWW.MARKOWSKICPAS.COM

RONALD L. MARKOWSKI, C.P.A.

DOUGLAS E. ATKINS, C.P.A.

SCOTT O. McLANE

RANDALL D. BIDDIX, C.P.A.

FOUNDING PARTNER:

K. LAVERNE MARKOWSKI, CPA (1961-2006)

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Manchester Village Council
Manchester, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Manchester's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Manchester's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Manchester's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

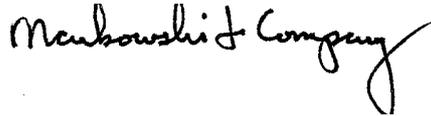
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Village of Manchester's internal control to be significant deficiencies:

Segregation of Duties

Because of the limited size of the Village of Manchester's accounting staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Village. The Village management needs to continue to exercise appropriate management oversight to help compensate for the lack of staff.

Village of Manchester
Manchester, Michigan
Page 2

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

Markowski & Company, CPAs
October 21, 2014

VILLAGE OF MANCHESTER
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

Budgeting Procedures

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated. As detailed in Note 2 of the financial statements, the Village incurred expenditures in excess of amounts appropriated. The Village does have procedures for monitoring and adjusting the budget. The amounts expended in excess of appropriations were in a limited number of departments and not material to the overall financial statements.

Restricted Funds

The Village of Manchester receives contributions from individuals/organizations that are restricted for specific purposes. The Village purchases goods and services to fulfill these restrictions, but has no policy to spend restricted funds prior to spending unrestricted amounts. We recommend that the Village adopt a policy to spend restricted amounts first. This will allow currently restricted funds to be reallocated to unrestricted for future use by the Village.