

VILLAGE OF MANCHESTER
WASHTENAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDING JUNE 30, 2019

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Village of Manchester
Washtenaw County, Michigan

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 34-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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

MARKOWSKI & COMPANY, CPAs
November 4, 2019

VILLAGE OF MANCHESTER
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019. 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 \$13,830,900. Of this amount, \$3,140,505 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$9,752,884 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 \$937,511 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 \$279,373 in 2019. Governmental activities net position increased \$458,646. Business-Type activities decreased \$179,273.

In a condensed format, the following table shows the net position as of June 30, 2019 and 2018:

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current Assets | \$ 2,835,722 | \$ 2,636,762 | \$ 1,566,929 | \$ 1,650,490 | \$ 4,402,651 | \$ 4,287,252 |
| Noncurrent Assets | 7,418,428 | 7,291,539 | 3,582,480 | 3,788,565 | 11,000,908 | 11,080,104 |
| Total Assets | 10,254,150 | 9,928,301 | 5,149,409 | 5,439,055 | 15,403,559 | 15,367,356 |
| Current Liabilities | 397,105 | 377,589 | 111,453 | 147,515 | 508,558 | 525,104 |
| Noncurrent Liabilities | 457,419 | 609,705 | 606,528 | 680,815 | 1,063,947 | 1,290,520 |
| Total Liabilities | 854,524 | 987,294 | 717,981 | 828,330 | 1,572,505 | 1,815,624 |
| Deferred Inflows | 78 | 105 | 76 | 100 | 154 | 205 |
| Net Position | | | | | | |
| Invested in Capital Assets - | | | | | | |
| Net of Related Debt | 6,830,395 | 6,560,347 | 2,922,489 | 3,021,733 | 9,752,884 | 9,582,080 |
| Restricted For: | | | | | | |
| Highways and Streets | 677,987 | 387,767 | - | - | 677,987 | 387,767 |
| Debt Service | 61,523 | 41,085 | 22,396 | 16,235 | 83,919 | 57,320 |
| Recreational and Cultural | 141,151 | 109,129 | - | - | 141,151 | 109,129 |
| Inventory | - | - | 34,454 | 39,489 | 34,454 | 39,489 |
| Unrestricted | 1,688,492 | 1,842,574 | 1,452,013 | 1,533,168 | 3,140,505 | 3,375,742 |
| Total Net Position | \$ 9,399,548 | \$ 8,940,902 | \$ 4,431,352 | \$ 4,610,625 | \$ 13,830,900 | \$ 13,551,527 |

Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net position as of June 30, 2019 and 2018:

| | Governmental | | Business-Type | | Total | |
|------------------------------------|-------------------|-------------------|---------------------|---------------------|-------------------|--------------------|
| | Activities | | Activities | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program Revenues | | | | | | |
| Charges for Services | \$ 259,693 | \$ 257,643 | \$ 721,579 | \$ 728,683 | \$ 981,272 | \$ 986,326 |
| Operating Grants and Contributions | 714,694 | 572,266 | 9,233 | 7,989 | 723,927 | 580,255 |
| Capital Grants and Contributions | 265,332 | 83,237 | 41,684 | 41,885 | 307,016 | 125,122 |
| General Revenues | | | | | | |
| Property Taxes | 673,230 | 670,922 | - | - | 673,230 | 670,922 |
| State-Shared Revenues | 383,930 | 354,954 | - | - | 383,930 | 354,954 |
| Interest Income | 45,390 | 24,677 | 24,901 | 15,103 | 70,291 | 39,780 |
| Franchise Fees | 29,480 | 29,450 | - | - | 29,480 | 29,450 |
| Other Income | 1,776 | 31,368 | - | - | 1,776 | 31,368 |
| Total Revenues | <u>2,373,525</u> | <u>2,024,517</u> | <u>797,397</u> | <u>793,660</u> | <u>3,170,922</u> | <u>2,818,177</u> |
| Program Expenses | | | | | | |
| Legislative | 59,673 | 52,771 | - | - | 59,673 | 52,771 |
| General Government | 387,457 | 353,093 | - | - | 387,457 | 353,093 |
| Public Safety | 510,726 | 512,071 | - | - | 510,726 | 512,071 |
| Public Works | 331,663 | 336,451 | - | - | 331,663 | 336,451 |
| Recreational and Cultural | 48,360 | 48,762 | - | - | 48,360 | 48,762 |
| Interest on Long-Term Debt | 19,700 | 23,158 | - | - | 19,700 | 23,158 |
| Depreciation | 557,300 | 535,811 | - | - | 557,300 | 535,811 |
| Water and Sewer | - | - | 976,670 | 975,681 | 976,670 | 975,681 |
| Total Expenses | <u>1,914,879</u> | <u>1,862,117</u> | <u>976,670</u> | <u>975,681</u> | <u>2,891,549</u> | <u>2,837,798</u> |
| Change in Net Position | <u>\$ 458,646</u> | <u>\$ 162,400</u> | <u>\$ (179,273)</u> | <u>\$ (182,021)</u> | <u>\$ 279,373</u> | <u>\$ (19,621)</u> |

Government Activities

The Village's total governmental revenues increased by \$349,008. Capital grants increased as contributions for the riverfront park project and shared use trail capital projects were constructed.

State shared revenues increased as the State of Michigan began replacing personal property tax revenues with a reimbursement from the State.

The Village's expenditures increased 3%, as the Village continues to monitor and reduce costs where available.

Business Type Activities

The Village's business-type activities consist of its Water and Sewer funds. During 2019, the net position decreased by \$179,273. The decrease was due primarily to depreciation expense in the amount of \$347,728.

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 decreased by \$183,955 as a result from the General Fund transferring \$408,000 to the Parks Fund for the riverfront construction project.

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 \$179,273 primarily the result of depreciation expense. Revenues have stabilized and operating expenditures remained consistent. Depreciation expense in the enterprise funds totaled \$347,728.

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.

General Fund Budgetary Highlights

The original budget adopted for the Village's General Fund projected a \$301,799 decrease in fund balance, primarily by budgeting for operating transfers for park capital expenditures. The final General Fund amended budget projected a \$156,524 decrease in fund balance. Actual fund balance decreased by \$183,955.

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.

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.

A summary of capital assets follows:

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-----------------------------------|-----------------------------|----------------------|
| | (Net of Accumulated Depreciation) | | |
| Land and land improvements | \$ 1,801,442 | \$ 30,005 | \$ 1,831,447 |
| Buildings and improvements | 1,160,983 | 47,156 | 1,208,139 |
| Equipment, furniture and fixtures | 198,161 | 178,161 | 376,322 |
| Infrastructure | 4,257,842 | - | 4,257,842 |
| Distribution and collection system | - | 3,327,158 | 3,327,158 |
| Total | <u>\$ 7,418,428</u> | <u>\$ 3,582,480</u> | <u>\$ 11,000,908</u> |

At the end of the year the Village had total debt outstanding of \$1,248,024.

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The Village will continue the focus on infrastructure, especially the streets, parks and wastewater treatment plant, in the coming year. Also, downtown development has become an issue that will be looked at closely.

Repaving Dutch Drive is planned for the construction season of 2020. The parking lot at the Village Hall will also be repaved. River Raisin Park and the Shared Use Trail are complete and the Parks Commission can continue their progress towards the action plan goals in the Parks Master Plan. Upgrades and maintenance to the aging wastewater treatment plant equipment and building will be made as needed. A major improvement to the wastewater plant headworks is being planned in the next few years.

The cost of police protection in the Village has been stabilized for the near term with Washtenaw County voters passing a public safety and parks millage. The millage funding will keep the contract cost increases at least manageable.

The Village also entered into an energy savings plan which replaced lights in the Village Hall. Those improvements are paid for monthly and offset by the reduction in electricity use.

Tax revenue continues to be made whole by the State's reimbursement of property tax lost by the business personal property tax exemptions. Reimbursement has been significantly more than 100%. The Village is depending upon the State to continue reimbursement at the least 100% of the loss.

Millage assessments, rates and revenues are capped in the State of Michigan by the Proposal A and Headlee systems. Sewer and water rates are reviewed each year. For 2019/2020 a 3% rate increase is planned for sewer and 1% for water. This increase finances the ongoing operations, maintains fund balance and funds a detailed capital improvement plan. The Village's public works equipment continues to be well maintained and replaced as needed with funding from the departments that use the equipment at the rates developed by the State.

Based on the recommendation of the Citizens' Advisory Committee, Village council is proceeding with the process to become a city. The Citizens Advisory Committee final report concludes *"Our discovery process revealed more benefits to incorporating as a city than drawbacks. While the obvious advantage of having more control over our tax dollars is evident, there are other compelling factors that brought us to this conclusion. The elimination of a duplicative government structure, the potential reduction of Village property taxes, modernization of our government structure and recognition by the state as a primary unit of government are other benefits."*

Village Council and administration is committed to maintaining the Village's financial stability. Working from a position of fiscal strength, the Village of Manchester can better serve the residents and make positive impacts on the community.

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, 2019

| ASSETS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNIT |
|---|------------------------------------|-------------------------------------|----------------------|---------------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 941,737 | \$ 597,296 | \$ 1,539,033 | \$ 17,530 |
| Investments | 1,503,224 | 867,359 | 2,370,583 | 4,099 |
| Accounts receivable: | | | | |
| Taxes | 3,700 | - | 3,700 | - |
| Customers | 12,472 | 64,944 | 77,416 | - |
| Other | 7,473 | - | 7,473 | - |
| Prepaid expenses | 37,267 | 2,876 | 40,143 | - |
| Due from other governments | 329,849 | - | 329,849 | - |
| Inventory | - | 34,454 | 34,454 | - |
| Total current assets | <u>2,835,722</u> | <u>1,566,929</u> | <u>4,402,651</u> | <u>21,629</u> |
| NONCURRENT ASSETS | | | | |
| Capital assets: | | | | |
| Land and land improvements | 2,290,577 | 30,005 | 2,320,582 | 35,500 |
| Buildings and improvements | 2,340,673 | 157,553 | 2,498,226 | - |
| Equipment, furniture and fixtures | 1,070,299 | 847,088 | 1,917,387 | - |
| Infrastructure - roads | 8,098,120 | - | 8,098,120 | - |
| Distribution and collection system | - | 10,003,976 | 10,003,976 | - |
| Less - Accumulated depreciation | (6,381,241) | (7,456,142) | (13,837,383) | (9,750) |
| Total noncurrent assets | <u>7,418,428</u> | <u>3,582,480</u> | <u>11,000,908</u> | <u>25,750</u> |
| Total assets | <u>10,254,150</u> | <u>5,149,409</u> | <u>15,403,559</u> | <u>47,379</u> |
| LIABILITIES AND NET POSITION | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 163,084 | 24,300 | 187,384 | 985 |
| Accrued interest payable | 2,739 | 4,129 | 6,868 | - |
| Accrued payroll | 14,070 | 9,509 | 23,579 | - |
| Accrued leave payable | 20,611 | - | 20,611 | - |
| Deposits | 45,116 | - | 45,116 | - |
| Bonds, notes, and loans payable | 151,485 | 73,515 | 225,000 | - |
| Total current liabilities | <u>397,105</u> | <u>111,453</u> | <u>508,558</u> | <u>985</u> |
| NONCURRENT LIABILITIES | | | | |
| Net OPEB liability | 20,871 | 20,052 | 40,923 | - |
| Bonds, notes, and loans payable | 436,548 | 586,476 | 1,023,024 | - |
| Total noncurrent liabilities | <u>457,419</u> | <u>606,528</u> | <u>1,063,947</u> | <u>-</u> |
| Total liabilities | 854,524 | 717,981 | 1,572,505 | 985 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to OPEB | 78 | 76 | 154 | - |
| NET POSITION | | | | |
| Invested in capital assets - net of related debt | 6,830,395 | 2,922,489 | 9,752,884 | 25,750 |
| Restricted for: | | | | |
| Highways and streets | 677,987 | - | 677,987 | - |
| Debt service | 61,523 | 22,396 | 83,919 | - |
| Recreational and cultural | 141,151 | - | 141,151 | 17,435 |
| Inventory | - | 34,454 | 34,454 | - |
| Unrestricted | 1,688,492 | 1,452,013 | 3,140,505 | 3,209 |
| Total net position | <u>\$ 9,399,548</u> | <u>\$ 4,431,352</u> | <u>\$ 13,830,900</u> | <u>\$ 46,394</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, 2019

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | | | Component Units |
|---------------------------------|------------------|-------------------------|--|--|---|-----------------------------|---------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| | | | | | | | | |
| Governmental activities | | | | | | | | |
| Legislative | \$ 59,673 | \$ - | \$ - | \$ - | \$ (59,673) | \$ - | \$ (59,673) | \$ - |
| General government | 387,457 | 238,648 | 82,873 | - | (65,936) | - | (65,936) | - |
| Public safety | 510,726 | 13,567 | - | - | (497,159) | - | (497,159) | - |
| Public works | 331,663 | 2,556 | 574,631 | - | 245,524 | - | 245,524 | - |
| Recreational and cultural | 48,360 | 4,922 | 57,190 | 265,332 | 279,084 | - | 279,084 | - |
| Interest on long-term debt | 19,700 | - | - | - | (19,700) | - | (19,700) | - |
| Depreciation | 557,300 | - | - | - | (557,300) | - | (557,300) | - |
| Total governmental activities | 1,914,879 | 259,693 | 714,694 | 265,332 | (675,160) | - | (675,160) | - |
| Business-type activities | | | | | | | | |
| Water and sewer | 976,670 | 721,579 | 9,233 | 41,684 | - | (204,174) | (204,174) | - |
| Total primary government | \$ 2,891,549 | \$ 981,272 | \$ 723,927 | \$ 307,016 | (675,160) | (204,174) | (879,334) | - |
| Component Unit: | | | | | | | | |
| Downtown Development Authority | \$ 15,480 | \$ - | \$ 14,168 | \$ - | - | - | - | (1,312) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 673,230 | - | 673,230 | - |
| State-shared revenues | | | | | 383,930 | - | 383,930 | - |
| Interest income | | | | | 45,390 | 24,901 | 70,291 | 262 |
| Franchise fees | | | | | 29,480 | - | 29,480 | - |
| Other income | | | | | 1,776 | - | 1,776 | - |
| Total general revenues | | | | | 1,133,806 | 24,901 | 1,158,707 | 262 |
| Change in net position | | | | | 458,646 | (179,273) | 279,373 | (1,050) |
| Net position - Beginning | | | | | 8,940,902 | 4,610,625 | 13,551,527 | 47,444 |
| Net position - Ending | | | | | \$ 9,399,548 | \$ 4,431,352 | \$ 13,830,900 | \$ 46,394 |

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

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | GENERAL | MAJOR STREET | LOCAL STREET | MUNICIPAL STREET | PARKS & RECREATION | TOTAL GOVERNMENTAL FUNDS |
|--------------------------------------|---------------------|---------------------|---------------------|-------------------------|-------------------------------|---------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 351,927 | \$ - | \$ 39,300 | 290,475 | \$ - | \$ 681,702 |
| Investments | 990,463 | 77,876 | 4,235 | 225,619 | 23,046 | 1,321,239 |
| Accounts receivable: | | | - | | | |
| Taxes | 3,700 | - | - | - | - | 3,700 |
| Customers | 12,472 | - | - | - | - | 12,472 |
| Other | 7,333 | - | - | - | - | 7,333 |
| Prepaid expenses | 26,083 | 1,278 | 2,557 | - | 1,278 | 31,196 |
| Due from other governments | 68,589 | 33,223 | 12,705 | - | 215,332 | 329,849 |
| | <u>\$ 1,460,567</u> | <u>\$ 112,377</u> | <u>\$ 58,797</u> | <u>\$ 516,094</u> | <u>\$ 239,656</u> | <u>\$ 2,387,491</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 54,501 | \$ 1,278 | \$ 2,554 | \$ - | \$ 97,121 | \$ 155,454 |
| Accrued interest payable | 901 | 1,838 | - | - | - | 2,739 |
| Accrued payroll | 8,447 | 2,120 | 1,491 | - | 1,384 | 13,442 |
| Deposits | 45,116 | - | - | - | - | 45,116 |
| Total liabilities | <u>108,965</u> | <u>5,236</u> | <u>4,045</u> | <u>-</u> | <u>98,505</u> | <u>216,751</u> |
| FUND BALANCES | | | | | | |
| Restricted for: | | | | | | |
| Highways and streets | - | 86,705 | 54,752 | 516,094 | - | 657,551 |
| Recreational and cultural | - | - | - | - | 141,151 | 141,151 |
| Debt service | 41,087 | 20,436 | - | - | - | 61,523 |
| Assigned for capital improvements | 192,422 | - | - | - | - | 192,422 |
| Unassigned | 1,118,093 | - | - | - | - | 1,118,093 |
| Total fund balances | <u>1,351,602</u> | <u>107,141</u> | <u>54,752</u> | <u>516,094</u> | <u>141,151</u> | <u>2,170,740</u> |
| | <u>\$ 1,460,567</u> | <u>\$ 112,377</u> | <u>\$ 58,797</u> | <u>\$ 516,094</u> | <u>\$ 239,656</u> | <u>\$ 2,387,491</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, 2019

| | |
|---|----------------------------|
| Total fund balance - total governmental funds | \$ 2,170,740 |
| 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). | 7,418,428 |
| 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. | 439,973 |
| Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. | (588,033) |
| Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet. | (20,611) |
| Post employment health insurance benefits are payable over a long period of years and do not represent a claim on current financial resources, therefore they are not reported as fund liabilities. | <u>(20,949)</u> |
| Net position of governmental activities | <u><u>\$ 9,399,548</u></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, 2019

| | GENERAL FUND | MAJOR STREET | LOCAL STREET | MUNICIPAL STREET | PARKS & RECREATION | TOTAL |
|--|-------------------------|-------------------------|-------------------------|-----------------------------|-----------------------------------|---------------------|
| REVENUES: | | | | | | |
| Taxes and penalties | \$ 756,103 | \$ 65,736 | \$ 25,647 | \$ 143,430 | \$ 38,175 | \$ 1,029,091 |
| Franchise fee | 29,480 | - | - | - | - | 29,480 |
| Licenses and permits | 5,150 | - | - | - | - | 5,150 |
| Fees and fines | 13,567 | - | - | - | - | 13,567 |
| Intergovernmental - State | 383,930 | 204,558 | 104,011 | 31,249 | 8,317 | 732,065 |
| Charges for services | 106,875 | - | - | - | - | 106,875 |
| Rental income | 87,438 | - | - | - | - | 87,438 |
| Interest income | 27,319 | 1,599 | 206 | 7,639 | 1,914 | 38,677 |
| Farmers market | 11,720 | - | - | - | - | 11,720 |
| Contributions | - | - | - | - | 265,332 | 265,332 |
| Other revenues | 1,774 | 2,046 | 510 | - | 3,900 | 8,230 |
| Total revenues | <u>1,423,356</u> | <u>273,939</u> | <u>130,374</u> | <u>182,318</u> | <u>317,638</u> | <u>2,327,625</u> |
| EXPENDITURES: | | | | | | |
| Legislative | 59,673 | - | - | - | - | 59,673 |
| General government | 401,202 | - | - | - | - | 401,202 |
| Public safety | 510,726 | - | - | - | - | 510,726 |
| Public works | 128,283 | 126,398 | 108,734 | - | - | 363,415 |
| Recreational & cultural | 8,493 | - | - | - | 693,616 | 702,109 |
| Debt service | 90,934 | 71,925 | - | - | - | 162,859 |
| Total expenditures | <u>1,199,311</u> | <u>198,323</u> | <u>108,734</u> | <u>-</u> | <u>693,616</u> | <u>2,199,984</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>224,045</u> | <u>75,616</u> | <u>21,640</u> | <u>182,318</u> | <u>(375,978)</u> | <u>127,641</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating transfers in | - | 18,000 | 21,000 | - | 408,000 | 447,000 |
| Operating transfers (out) | (408,000) | - | - | (39,000) | - | (447,000) |
| Total other financing sources (uses) | <u>(408,000)</u> | <u>18,000</u> | <u>21,000</u> | <u>(39,000)</u> | <u>408,000</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | <u>(183,955)</u> | <u>93,616</u> | <u>42,640</u> | <u>143,318</u> | <u>32,022</u> | <u>127,641</u> |
| FUND BALANCE - | | | | | | |
| Beginning of year | <u>1,535,557</u> | <u>13,525</u> | <u>12,112</u> | <u>372,776</u> | <u>109,129</u> | <u>2,043,099</u> |
| FUND BALANCE - | | | | | | |
| End of year | <u>\$ 1,351,602</u> | <u>\$ 107,141</u> | <u>\$ 54,752</u> | <u>\$ 516,094</u> | <u>\$ 141,151</u> | <u>\$ 2,170,740</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, 2019**

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ 127,641 |
| 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. | 684,190 |
| 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. | (557,300) |
| 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. | 60,830 |
| 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. | (702) |
| Employee OPEB costs do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | 828 |
| The payments of long-term debt consumes the current financial resources of governmental funds. | 143,159 |
| Change in net position of governmental activities | <u>\$ 458,646</u> |

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

VILLAGE OF MANCHESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

| ASSETS | ENTERPRISE FUNDS | | | INTERNAL |
|---|-------------------------|---------------------|---------------------|-------------------|
| | WATER | SEWER | TOTAL | SERVICE |
| | | | | FUND |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 362,399 | \$ 234,897 | \$ 597,296 | \$ 260,035 |
| Investments | 367,698 | 499,661 | 867,359 | 181,985 |
| Accounts receivable | 22,137 | 42,807 | 64,944 | 140 |
| Prepaid expenses | 1,917 | 959 | 2,876 | 6,071 |
| Inventory | 34,454 | - | 34,454 | - |
| Total current assets | <u>788,605</u> | <u>778,324</u> | <u>1,566,929</u> | <u>448,231</u> |
| NONCURRENT ASSETS: | | | | |
| Capital assets: | | | | |
| Land and land improvements | 3,005 | 27,000 | 30,005 | - |
| Buildings and improvements | 148,153 | 9,400 | 157,553 | - |
| Equipment, furniture and fixtures | 388,294 | 458,794 | 847,088 | 812,540 |
| Distribution and collection system | 3,564,707 | 6,439,269 | 10,003,976 | - |
| Less - Accumulated depreciation | <u>(1,647,728)</u> | <u>(5,808,414)</u> | <u>(7,456,142)</u> | <u>(666,533)</u> |
| Total noncurrent assets | <u>2,456,431</u> | <u>1,126,049</u> | <u>3,582,480</u> | <u>146,007</u> |
| Total assets | <u>3,245,036</u> | <u>1,904,373</u> | <u>5,149,409</u> | <u>594,238</u> |
| LIABILITIES AND NET POSITION | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | 6,832 | 17,468 | 24,300 | 7,630 |
| Accrued interest payable | 3,675 | 454 | 4,129 | - |
| Accrued payroll | 3,256 | 6,253 | 9,509 | 628 |
| Bonds, notes, and loans payable | 30,000 | 43,515 | 73,515 | - |
| Total current liabilities | <u>43,763</u> | <u>67,690</u> | <u>111,453</u> | <u>8,258</u> |
| NONCURRENT LIABILITIES: | | | | |
| Net OPEB Liability | 10,026 | 10,026 | 20,052 | - |
| Bonds, notes, and loans payable | 558,024 | 28,452 | 586,476 | - |
| Total noncurrent liabilities | <u>568,050</u> | <u>38,478</u> | <u>606,528</u> | <u>-</u> |
| Total liabilities | 611,813 | 106,168 | 717,981 | 8,258 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Deferred inflow related to OPEB | <u>38</u> | <u>38</u> | <u>76</u> | <u>-</u> |
| NET POSITION: | | | | |
| Invested in capital assets - net of related debt | 1,868,407 | 1,054,082 | 2,922,489 | 146,007 |
| Restricted for inventory | 34,454 | - | 34,454 | - |
| Restricted for debt service | - | 22,396 | 22,396 | - |
| Unrestricted | 730,324 | 721,689 | 1,452,013 | 439,973 |
| Total net position | <u>\$ 2,633,185</u> | <u>\$ 1,798,167</u> | <u>\$ 4,431,352</u> | <u>\$ 585,980</u> |

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, 2019

| | ENTERPRISE FUNDS | | | INTERNAL SERVICE FUND |
|---|-------------------------|---------------------|---------------------|--------------------------------------|
| | WATER | SEWER | TOTAL | |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 264,042 | \$ 412,653 | \$ 676,695 | \$ 125,293 |
| Charges for services - Bridgewater Township | - | 34,000 | 34,000 | - |
| Connection fees and other charges | 4,284 | 6,600 | 10,884 | 1,777 |
| Total operating revenues | <u>268,326</u> | <u>453,253</u> | <u>721,579</u> | <u>127,070</u> |
| OPERATING EXPENSES: | | | | |
| Salaries and wages | 83,555 | 157,665 | 241,220 | 19,221 |
| Payroll taxes | 6,233 | 11,724 | 17,957 | 1,445 |
| Employee benefits | 22,995 | 44,295 | 67,290 | 5,284 |
| Chemicals | 5,079 | 8,460 | 13,539 | - |
| Operating supplies | 8,128 | 12,720 | 20,848 | 17,234 |
| Water meters | 5,012 | 5,012 | 10,024 | - |
| Uniforms | - | 813 | 813 | - |
| Gasoline and oil | 18 | 18 | 36 | 14,214 |
| Postage | 1,058 | 1,530 | 2,588 | - |
| Contracted services - other | 3,993 | 18,088 | 22,081 | 48 |
| Water testing | 2,006 | 3,266 | 5,272 | - |
| Sewer rodding | - | 8,473 | 8,473 | - |
| Sludge removal | - | 42,934 | 42,934 | - |
| Audit Fees | 2,300 | 2,840 | 5,140 | 420 |
| Permits and fees | 1,738 | 2,678 | 4,416 | - |
| Telephone | 1,165 | 4,621 | 5,786 | - |
| Public utilities | 23,824 | 52,373 | 76,197 | - |
| Training, education and seminars | 289 | 1,320 | 1,609 | - |
| Memberships | 1,178 | 791 | 1,969 | - |
| Repairs and maintenance | 5,333 | 13,409 | 18,742 | 9,968 |
| Insurance | 1,617 | 808 | 2,425 | 5,121 |
| Printing | 131 | - | 131 | - |
| Allocation of equipment costs | 20,209 | 18,974 | 39,183 | - |
| Depreciation | 122,702 | 225,026 | 347,728 | 36,598 |
| Total operating expenses | <u>318,563</u> | <u>637,838</u> | <u>956,401</u> | <u>109,553</u> |
| OPERATING INCOME (LOSS) | <u>(50,237)</u> | <u>(184,585)</u> | <u>(234,822)</u> | <u>17,517</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 11,328 | 13,573 | 24,901 | 6,713 |
| Collection of tax assessments | - | 41,684 | 41,684 | - |
| Personal property tax reimbursement | - | 9,233 | 9,233 | - |
| Interest expense | (15,607) | (4,662) | (20,269) | - |
| Total non-operating revenues (expenses) | <u>(4,279)</u> | <u>59,828</u> | <u>55,549</u> | <u>6,713</u> |
| Net change in net position | (54,516) | (124,757) | (179,273) | 24,230 |
| NET POSITION - Beginning of year | <u>2,687,701</u> | <u>1,922,924</u> | <u>4,610,625</u> | <u>561,750</u> |
| NET POSITION - End of year | <u>\$ 2,633,185</u> | <u>\$ 1,798,167</u> | <u>\$ 4,431,352</u> | <u>\$ 585,980</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, 2019

| | ENTERPRISE FUNDS | | | INTERNAL SERVICE FUND |
|--|--------------------------|--------------------------|----------------------------|--------------------------------------|
| | WATER FUND | SEWER FUND | TOTAL | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 271,111 | \$ 458,419 | \$ 729,530 | \$ 127,645 |
| Payments to suppliers | (75,964) | (203,613) | (279,577) | (40,643) |
| Payments to employees | (113,333) | (213,666) | (326,999) | (26,047) |
| Net cash provided (used) by operating activities | <u>81,814</u> | <u>41,140</u> | <u>122,954</u> | <u>60,955</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (31,562) | (110,083) | (141,645) | - |
| Principal and interest paid on capital debt | (81,012) | (46,740) | (127,752) | - |
| Proceeds from tax collections | - | 50,917 | 50,917 | - |
| Net cash provided (used) by capital and related financing activities | <u>(112,574)</u> | <u>(105,906)</u> | <u>(218,480)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Change in OPEB Liability | - | - | - | - |
| Interest/miscellaneous income | 11,328 | 13,573 | 24,901 | 6,713 |
| Net cash provided (used) by investing activities | <u>11,328</u> | <u>13,573</u> | <u>24,901</u> | <u>6,713</u> |
| Net increase (decrease) in cash and cash equivalents | (19,432) | (51,193) | (95,526) | 67,668 |
| Balances - beginning of year | <u>749,529</u> | <u>785,751</u> | <u>1,535,280</u> | <u>374,352</u> |
| Balances - end of year | <u><u>\$ 730,097</u></u> | <u><u>\$ 734,558</u></u> | <u><u>\$ 1,464,655</u></u> | <u><u>\$ 442,020</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ (50,237) | \$ (184,585) | \$ (234,822) | \$ 17,517 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | | |
| Depreciation expense | 122,702 | 225,027 | 347,729 | 36,598 |
| Change in assets and liabilities | | | | |
| Receivables - net | 2,785 | 5,166 | 7,951 | 575 |
| Prepaid expenses | (33) | (17) | (50) | (106) |
| Inventories | 5,035 | - | 5,035 | - |
| Accounts and other payables | 1,562 | (4,451) | (2,889) | 6,371 |
| Net cash provided by operating activities | <u><u>\$ 81,814</u></u> | <u><u>\$ 41,140</u></u> | <u><u>\$ 122,954</u></u> | <u><u>\$ 60,955</u></u> |

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

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

| | EMPLOYEE INSURANCE FUND | SICK PAY BENEFIT FUND |
|-------------------------------------|--|--------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 36,510 | \$ 18,297 |
| Investments | 25,632 | 11,479 |
| Total assets | 62,142 | 29,776 |
| LIABILITIES | | |
| Accounts payable | 330 | - |
| Accrued leave time | - | 15,696 |
| Total liabilities | 330 | 15,696 |
| NET POSITION | | |
| Held in trust for employee benefits | \$ 61,812 | \$ 14,080 |

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, 2019

| | EMPLOYEE INSURANCE FUND | SICK PAY BENEFIT FUND |
|---|--|--------------------------------------|
| ADDITIONS | | |
| Employer/Employee contributions | \$ 11,382 | \$ 1,031 |
| Interest income | 917 | 423 |
| Total additions | <u>12,299</u> | <u>1,454</u> |
| DEDUCTIONS | | |
| Benefits | <u>5,429</u> | <u>-</u> |
| Change in net position | 6,870 | 1,454 |
| Net position - beginning of year | <u>54,942</u> | <u>12,626</u> |
| Net position - end of year | <u><u>\$ 61,812</u></u> | <u><u>\$ 14,080</u></u> |

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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), 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, 2019

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, 2019

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.

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, 2019

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, 2019.
- 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 market value. 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, 2019

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, 2019, the liability included \$20,611 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, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)

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 | | | |
| Operating transfers out | \$ 313,250 | \$ 408,000 | \$ (94,750) |
| PARKS AND RECREATION | | | |
| Total expenditures | \$ 691,820 | \$ 693,616 | \$ (1,796) |

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 16.4764 mills and is distributed as follows:

| | |
|----------------------|----------------|
| General Operation | 10.6131 |
| Highways and Streets | 2.2612 |
| Parks and Recreation | 0.6019 |
| Debt Service | 3.0002 |
| Total | <u>16.4764</u> |

The taxable value of real and personal property located in the Village was \$65,328,191.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CASH AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local government unit to make deposits and invest in the following:

- 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.

The Village's deposits and investment policy are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Village's deposits are as follows:

| | Carrying Amount |
|-----------------------------------|--------------------|
| Cash on hand | \$ 375 |
| Insured (FDIC) | 567,177 |
| Collateralized | 1,043,818 |
| | \$ 1,611,370 |
| | |
| Reported in financial statements: | |
| Governmental funds | \$ 941,737 |
| Proprietary funds (Business-type) | 597,296 |
| Fiduciary funds | 54,807 |
| | 1,593,840 |
| Component Unit: DDA | 17,530 |
| | \$ 1,611,370 |

The Village investments consist of certificates of deposit (CDs) with a maturity of greater than 90 days. The Village's investments consisted of the following:

| Investment Type | Maturity | Market Value | Rating |
|------------------------------|----------|--------------|--------|
| Ann Arbor State Bank - CDARs | Various | \$ 1,124,537 | N/A |
| Ann Arbor State Bank | 1/8/20 | 261,765 | N/A |
| Ann Arbor State Bank | 12/22/19 | 445,194 | N/A |
| Ann Arbor State Bank | 4/14/20 | 213,397 | N/A |
| Comerica Bank | 5/10/20 | 105,513 | N/A |
| Flagstar Bank | 6/20/20 | 261,387 | N/A |
| Total | | \$ 2,411,793 | |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CASH AND INVESTMENTS: (Continued)

The fair value measurements of the investments noted above have been classified by the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. The levels of the fair value hierarchy are as follows:

- Level 1 inputs – Quoted price for identical assets in an active market.
- Level 2 inputs – Quoted prices for similar other observable inputs.
- Level 3 inputs – Unobservable inputs for an asset.

Investments by fair value level:

| Investment | Total | Level 1 | Level 2 | Level 3 |
|--------------------------|--------------|--------------|---------|---------|
| Certificateds of deposit | \$ 2,411,793 | \$ 2,411,793 | \$ - | \$ - |

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.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – CAPITAL ASSETS

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

| | 07/01/18 | INCREASES | DECREASES | 06/30/19 |
|---------------------------------------|---------------------|-------------------|-------------|---------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 132,591 | \$ - | \$ - | \$ 132,591 |
| Capital assets being depreciated | | | | |
| Land improvements | 1,484,586 | 673,400 | - | 2,157,986 |
| Buildings and improvements | 2,329,883 | 10,790 | - | 2,340,673 |
| Equipment, furniture and fixtures | 1,070,299 | - | - | 1,070,299 |
| Infrastructure - roads | 8,098,120 | - | - | 8,098,120 |
| Subtotal | <u>12,982,888</u> | <u>684,190</u> | <u>-</u> | <u>13,667,078</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | 407,970 | 81,165 | - | 489,135 |
| Buildings and improvements | 1,110,018 | 69,672 | - | 1,179,690 |
| Equipment, furniture and fixtures | 823,706 | 48,432 | - | 872,138 |
| Infrastructure - roads | <u>3,482,246</u> | <u>358,032</u> | <u>-</u> | <u>3,840,278</u> |
| Subtotal | <u>5,823,940</u> | <u>557,301</u> | <u>-</u> | <u>6,381,241</u> |
| Net capital assets being depreciated | <u>7,158,948</u> | <u>126,889</u> | <u>-</u> | <u>7,285,837</u> |
| Capital assets - net of depreciation | <u>\$ 7,291,539</u> | <u>\$ 126,889</u> | <u>\$ -</u> | <u>\$ 7,418,428</u> |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – CAPITAL ASSETS: (Continued)

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

| | <u>07/01/18</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>06/30/19</u> |
|--|---------------------|---------------------|------------------|---------------------|
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 30,005 | \$ - | \$ - | \$ 30,005 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 136,498 | 21,055 | - | 157,553 |
| Equipment, furniture and fixtures | 847,088 | - | - | 847,088 |
| Distribution and collections system | 9,883,387 | 120,589 | - | 10,003,976 |
| Subtotal | <u>10,866,973</u> | <u>141,644</u> | <u>-</u> | <u>11,008,617</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 99,257 | 11,140 | - | 110,397 |
| Equipment, furniture and fixtures | 633,174 | 35,753 | - | 668,927 |
| Distribution and collection system | 6,375,983 | 300,835 | - | 6,676,818 |
| Subtotal | <u>7,108,414</u> | <u>347,728</u> | <u>-</u> | <u>7,456,142</u> |
| Net capital assets being depreciated | <u>3,758,559</u> | <u>(206,084)</u> | <u>-</u> | <u>3,552,475</u> |
| Capital assets - net of depreciation | <u>\$ 3,788,564</u> | <u>\$ (206,084)</u> | <u>\$ -</u> | <u>\$ 3,582,480</u> |

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

| | |
|--------------------------------|-------------------|
| GOVERNMENTAL ACTIVITIES | <u>\$ 557,300</u> |
| BUSINESS TYPE ACTIVITIES | |
| Water | \$ 122,702 |
| Sewer | <u>225,026</u> |
| Total business type activities | <u>\$ 347,728</u> |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – EMPLOYEES’ PENSION PLAN:

The Village contributes to a contributory money purchase retirement plan, administered by MERS (Municipal Employees’ Retirement System), 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, 2019, the Village's required contributions amounted to \$27,143 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2019, was \$545,367 and total payroll subject to retirement benefits was \$452,380.

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 7 – OTHER POST RETIREMENT BENEFIT PLAN:

Plan Description

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.

Employees Covered by Benefits

| | |
|------------------|---|
| Active Employees | 5 |
| Retirees | 2 |
| Total | 7 |

Net OPEB Liability

The Village has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 measurement date was determined by an actuarial valuation performed as of June 30, 2019.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – OTHER POST RETIREMENT BENEFIT PLAN: (Continued)

Changes in the net OPEB liability during the measurement year were as follows:

| | Increase (Decrease) | | |
|--------------------------------|-------------------------|----------------------|-----------------------|
| | Total OPEB Liability | Plan Net Position | Net OPEB Liability |
| Balance at July 1, 2018 | \$ 246,156 | \$ 203,660 | \$ 42,496 |
| Changes for the year: | | | |
| Service Cost | 7,024 | - | 7,024 |
| Interest on OPEB Liability | 18,221 | - | 18,221 |
| Contributions - Employer - Net | (6,420) | 9,686 | (16,106) |
| Employee Contributions | - | 2,079 | (2,079) |
| Net Investment Income | - | 15,460 | (15,460) |
| Benefit Payments | - | (6,420) | 6,420 |
| Administrative expense | - | (407) | 407 |
| Net Changes | <u>\$ 264,981</u> | <u>\$ 224,058</u> | <u>\$ 40,923</u> |

The plan's fiduciary net position represents 84.56 percent of the total OPEB liability.

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability of the employer, calculated using the discount rate of 7.5% as (6.5%) of 1% higher (8.5%) than the current rate.

Deferred Outflows of Resources and deferred Inflows of Resources Related to OPEB

The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------|--------------------------------------|-------------------------------------|
| Differences in experience | \$ - | \$ - |
| Differences in assumptions | - | - |
| Excess (Deficit) investment returns | - | 154 |
| | <u>\$ -</u> | <u>\$ 154</u> |

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ending June 30 | Amount |
|-------------------------|---------------|
| 2020 | \$ 51 |
| 2021 | 51 |
| 2022 | 52 |
| Total | <u>\$ 154</u> |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – OTHER POST RETIREMENT BENEFIT PLAN: (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.5%, assumed salary increases (including inflation) of 3%, an investment rate of return (net of investment expenses) of 7.5%. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rate.

Investment Rate of Return

The investment policy of the Village is determined based on the goals and objective of the Plan and the risk tolerance of the Employer. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance, however, the target OPEB asset allocation is as described below:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Global Equity | 55.5% | 6.15% |
| Global Fixed Income | 18.5% | 1.26% |
| Real Assets | 13.5% | 7.22% |
| Diversifying Strategies | 12.5% | 5.00% |

Annual Healthcare Trend

Trend rates are based on plan experience, historical trends, and industry norms. The immediate trend rates are assumed to decrease to an ultimate trend rate over a period of 5 to 10 years. Annual Healthcare Trend is as described below:

| Years after Valuation | Medical & Pharmacy |
|-----------------------|--------------------|
| 1 | 9.00% |
| 2 | 8.00% |
| 3 | 7.00% |
| 4 | 6.00% |
| 5+ | 5.00% |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - 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:

| | DEBT OUT- STANDING 07/01/18 | ADDITIONS OF NEW DEBT | RETIREMENTS AND REPAYMENTS | DEBT OUT- STANDING 06/30/19 |
|---|-----------------------------------|-----------------------------|----------------------------------|-----------------------------------|
| <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%. | \$ 226,192 | \$ - | \$ (83,159) | \$ 143,033 |
| 2015 General Obligation Bonds, \$635,000 maturing serially in annual amounts ranging from \$25,000 to \$80,000 at an interest rate of 0.75% to 2.85%. | 505,000 | - | (60,000) | 445,000 |
| | \$ 731,192 | \$ - | \$ (143,159) | \$ 588,033 |
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | |
| 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%. | \$ 113,808 | \$ - | \$ (41,840) | \$ 71,968 |
| 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%. | 40,000 | - | (40,000) | - |
| 2015 Act 94 - Water Supply System Revenue Bonds, \$668,024 maturing serially in annual amounts ranging from \$30,000 to \$40,000 at an interest rate of 2.50%. | 613,023 | - | (25,000) | 588,023 |
| Total business type activities | \$ 766,831 | \$ - | \$ (106,840) | \$ 659,991 |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - CHANGES IN LONG-TERM DEBT: (Continued)

The Governmental Activities Debt Bonds were issued to finance the purchase of a new community center and reconstruction of the main street bridge. 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 |
|-----------------------|------------|-----------|
| 2020 | \$ 151,485 | \$ 16,444 |
| 2021 | 126,548 | 11,954 |
| 2022 | 75,000 | 8,153 |
| 2023 | 75,000 | 6,353 |
| 2024 | 80,000 | 4,440 |
| 2025 | 80,000 | 2,280 |
| | \$ 588,033 | \$ 49,624 |

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 |
|-----------------------|------------|------------|
| 2020 | \$ 73,515 | \$ 17,052 |
| 2021 | 58,453 | 14,714 |
| 2022 | 30,000 | 12,826 |
| 2023 | 30,000 | 12,076 |
| 2024 | 30,000 | 11,326 |
| Thereafter | 438,023 | 69,555 |
| | \$ 659,991 | \$ 137,549 |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 – 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 10 – 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 11 – INTERFUND TRANSFERS:

| Fund | Transfers In | Transfers Out |
|------------------|-------------------|-------------------|
| General Fund | \$ - | \$ 408,000 |
| Parks | 408,000 | - |
| | <u>\$ 408,000</u> | <u>\$ 408,000</u> |
| Municipal Street | \$ - | \$ 39,000 |
| Major Street | 18,000 | - |
| Local Street | 21,000 | - |
| Total | <u>\$ 39,000</u> | <u>\$ 39,000</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.

NOTE 12 – TAX ABATEMENTS:

The Village entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a period of years as determined by the local unit of government. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2019, the Village abated property tax revenues totaling \$25,100 under this program.

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|-------------------------------------|-------------------------|---------------------|---------------------|---|
| | ORIGINAL | FINAL | AMOUNTS | FINAL BUDGET POSITIVE (NEGATIVE) |
| REVENUES: | | | | |
| Property taxes | \$ 761,040 | \$ 751,946 | \$ 756,103 | \$ 4,157 |
| Franchise fees | 30,000 | 30,000 | 29,480 | (520) |
| Licenses and permits | 3,700 | 5,650 | 5,150 | (500) |
| Fees and fines | 5,825 | 11,425 | 13,567 | 2,142 |
| Intergovernmental | | | | |
| Sales tax | 201,975 | 205,850 | 207,784 | 1,934 |
| Personal property tax reimbursement | 72,694 | 164,488 | 165,018 | 530 |
| State liquor control | 2,100 | 2,100 | 2,305 | 205 |
| State Metro Act | 8,900 | 8,900 | 8,823 | (77) |
| Total | 285,669 | 381,338 | 383,930 | 2,592 |
| Charges for services | | | | |
| Reimbursed services | 4,000 | 5,300 | 4,884 | (416) |
| Garbage pickup | 97,250 | 101,850 | 101,991 | 141 |
| Total | 101,250 | 107,150 | 106,875 | (275) |
| Rental income | 79,636 | 86,636 | 87,438 | 802 |
| Interest income | 15,300 | 19,800 | 27,319 | 7,519 |
| Farmers Market | 11,375 | 12,375 | 11,720 | (655) |
| Other revenues | 1,000 | 1,000 | 1,774 | 774 |
| Total Revenues | \$ 1,294,795 | \$ 1,407,320 | \$ 1,423,356 | \$ 16,036 |

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|-----------------------------|-------------------------|----------------|----------------|---|
| | ORIGINAL | FINAL | AMOUNTS | FINAL BUDGET POSITIVE (NEGATIVE) |
| EXPENDITURES: | | | | |
| LEGISLATIVE: | | | | |
| VILLAGE COUNCIL: | | | | |
| Salaries and wages | \$ - | \$ - | \$ 43,219 | \$ - |
| Payroll taxes | - | - | 2,872 | - |
| Employee benefits | - | - | 6,703 | - |
| Memberships | - | - | 1,952 | - |
| Senior Citizens | - | - | 2,000 | - |
| Community Resource Center | - | - | 2,000 | - |
| Contracted services - other | - | - | 827 | - |
| Miscellaneous | - | - | 100 | - |
| Total legislative | <u>58,175</u> | <u>63,175</u> | <u>59,673</u> | <u>3,502</u> |
| GENERAL GOVERNMENT: | | | | |
| ADMINISTRATION: | | | | |
| Salaries and wages | - | - | 92,393 | - |
| Payroll taxes | - | - | 6,965 | - |
| Employee benefits | - | - | 19,391 | - |
| Operating supplies | - | - | 1,797 | - |
| Postage | - | - | 4,779 | - |
| Telephone | - | - | 3,572 | - |
| Memberships | - | - | 180 | - |
| Legal fees | - | - | 2,080 | - |
| Audit fees | - | - | 3,570 | - |
| Contracted services - other | - | - | 2,675 | - |
| Garbage services | - | - | 97,243 | - |
| Internet | - | - | 2,097 | - |
| Printing | - | - | 251 | - |
| Insurance | - | - | 7,826 | - |
| Travel | - | - | 1,577 | - |
| Repairs and maintenance | - | - | 9,744 | - |
| Bank fees | - | - | 231 | - |
| Total | <u>266,320</u> | <u>266,320</u> | <u>256,371</u> | <u>9,949</u> |

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|------------------------------------|-------------------------|----------------|----------------|---|
| | ORIGINAL | FINAL | AMOUNTS | FINAL BUDGET POSITIVE (NEGATIVE) |
| EXPENDITURES: (Continued) | | | | |
| BUILDING AND GROUNDS: | | | | |
| Salaries and wages | - | - | 10,412 | - |
| Payroll taxes | - | - | 811 | - |
| Employee benefits | - | - | 1,998 | - |
| Operating supplies | - | - | 2,067 | - |
| Public utilities | - | - | 56,183 | - |
| Insurance | - | - | 7,268 | - |
| Contracted services - cleaning | - | - | 27,139 | - |
| Contracted services - other | - | - | 8,829 | - |
| Repairs and maintenance | - | - | 5,880 | - |
| Allocation of equipment costs | - | - | 13,454 | - |
| Capital outlay | - | - | 10,790 | - |
| Total | <u>179,125</u> | <u>162,125</u> | <u>144,831</u> | <u>17,294</u> |
| Total general government | <u>445,445</u> | <u>428,445</u> | <u>401,202</u> | <u>27,243</u> |
| PUBLIC WORKS: | | | | |
| DEPARTMENT OF PUBLIC WORKS: | | | | |
| Operating supplies | - | - | 963 | - |
| Uniforms | - | - | 1,403 | - |
| Contracted services - other | - | - | 341 | - |
| Telephone | - | - | 1,210 | - |
| Miscellaneous | - | - | 51 | - |
| Total | <u>6,400</u> | <u>6,400</u> | <u>3,968</u> | <u>2,432</u> |
| TREES: | | | | |
| Salaries and wages | - | - | 845 | - |
| Payroll taxes | - | - | 73 | - |
| Employee benefits | - | - | 268 | - |
| Operating supplies | - | - | 1,854 | - |
| Contracted services - other | - | - | 5,130 | - |
| Allocation of equipment costs | - | - | 1,266 | - |
| Total | <u>15,225</u> | <u>15,225</u> | <u>9,436</u> | <u>5,789</u> |
| SIDEWALKS: | | | | |
| Salaries and wages | - | - | 112 | - |
| Payroll taxes | - | - | 8 | - |
| Employee benefits | - | - | 35 | - |
| Allocation of equipment costs | - | - | 50 | - |
| Capital outlay | - | - | 20,544 | - |
| Total | <u>20,400</u> | <u>21,400</u> | <u>20,749</u> | <u>651</u> |
| LIGHTING: | | | | |
| Street lighting | <u>52,000</u> | <u>63,300</u> | <u>59,893</u> | <u>3,407</u> |

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|-------------------------------------|-------------------------|------------------|------------------|---|
| | ORIGINAL | FINAL | AMOUNTS | FINAL BUDGET POSITIVE (NEGATIVE) |
| EXPENDITURES: (Continued) | | | | |
| PUBLIC WORKS: (Continued) | | | | |
| CHIPPING/LEAF PICKUP | | | | |
| Salaries and wages | - | - | 10,884 | - |
| Payroll taxes | - | - | 823 | - |
| Employee benefits | - | - | 2,561 | - |
| Contracted services - other | - | - | 1,669 | - |
| Allocation of equipment costs | - | - | 18,300 | - |
| Total | <u>35,625</u> | <u>36,825</u> | <u>34,237</u> | <u>2,588</u> |
| Total public works | <u>129,650</u> | <u>143,150</u> | <u>128,283</u> | <u>14,867</u> |
| PUBLIC SAFETY: | | | | |
| POLICE: | | | | |
| Police services | - | - | 500,097 | - |
| Legal fees | - | - | 2,355 | - |
| Operating supplies | - | - | - | - |
| Total | <u>506,000</u> | <u>506,000</u> | <u>502,452</u> | <u>3,548</u> |
| PLANNING COMMISSION: | | | | |
| Salaries and wages | - | - | 2,200 | - |
| Payroll taxes | - | - | 160 | - |
| Employee benefits | - | - | 26 | - |
| Contracted services - other | - | - | 1,405 | - |
| Planning services | - | - | 4,483 | - |
| Total | <u>6,475</u> | <u>8,975</u> | <u>8,274</u> | <u>701</u> |
| Total public safety | <u>512,475</u> | <u>514,975</u> | <u>510,726</u> | <u>4,249</u> |
| RECREATION AND CULTURE: | | | | |
| FARMERS MARKET: | | | | |
| Contracted services - other | - | - | 5,999 | - |
| Printing | - | - | 975 | - |
| Community promotion | - | - | 652 | - |
| Miscellaneous | - | - | 867 | - |
| Total recreation and culture | <u>9,425</u> | <u>9,425</u> | <u>8,493</u> | <u>932</u> |
| DEBT SERVICE: | | | | |
| MUNICIPAL BOND EXPENDITURES: | | | | |
| Bond principal payments | - | - | 83,159 | - |
| Interest | - | - | 7,775 | - |
| Total debt service | <u>91,424</u> | <u>91,424</u> | <u>90,934</u> | <u>490</u> |
| Total expenditures | <u>1,246,594</u> | <u>1,250,594</u> | <u>1,199,311</u> | <u>51,283</u> |

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | <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) | 48,201 | 156,726 | 224,045 | 67,319 |
| Other financing sources (Uses) | | | | |
| Operating transfers (out) | <u>(350,000)</u> | <u>(313,250)</u> | <u>(408,000)</u> | <u>(94,750)</u> |
| Net change in fund balances | (301,799) | (156,524) | (183,955) | (27,431) |
| Fund balance, beginning of year | <u>1,535,557</u> | <u>1,535,557</u> | <u>1,535,557</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 1,233,758</u> | <u>\$ 1,379,033</u> | <u>\$ 1,351,602</u> | <u>\$ (27,431)</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, 2019

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|-------------------------------------|-------------------------|----------------|---------------------------|---|
| | ORIGINAL | FINAL | | |
| REVENUES: | | | | |
| State shared revenues - Act 51 | \$ 177,235 | \$ 190,000 | \$ 190,868 | \$ 868 |
| Property taxes | 65,420 | 65,420 | 65,736 | 316 |
| Personal property tax reimbursement | 6,785 | 13,685 | 13,690 | 5 |
| Reimbursed services | 2,000 | 2,000 | 2,046 | 46 |
| Interest income | 1,000 | 1,000 | 1,599 | 599 |
| Total revenues | <u>252,440</u> | <u>272,105</u> | <u>273,939</u> | <u>1,834</u> |
| EXPENDITURES: | | | | |
| GENERAL GOVERNMENT: | | | | |
| ADMINISTRATION: | | | | |
| Salaries and wages | - | - | 24,669 | - |
| Payroll taxes | - | - | 1,852 | - |
| Employee benefits | - | - | 7,172 | - |
| Memberships | - | - | 100 | - |
| Insurance | - | - | 1,078 | - |
| Audit services | - | - | 630 | - |
| Repairs and maintenance | - | - | 223 | - |
| Total General Government | <u>31,140</u> | <u>36,640</u> | <u>35,724</u> | <u>916</u> |
| PUBLIC WORKS: | | | | |
| STREET MAINTENANCE: | | | | |
| Salaries and wages | - | - | 22,786 | - |
| Payroll taxes | - | - | 1,638 | - |
| Employee benefits | - | - | 6,471 | - |
| Operating supplies | - | - | 1,578 | - |
| Contracted services - crack sealing | - | - | 14,390 | - |
| Allocation of equipment costs | - | - | 15,740 | - |
| Total | <u>149,025</u> | <u>74,225</u> | <u>62,603</u> | <u>11,622</u> |
| BRIDGE MAINTENANCE: | | | | |
| Salaries and wages | - | - | 426 | - |
| Payroll taxes | - | - | 33 | - |
| Employee benefits | - | - | 136 | - |
| Operating supplies | - | - | 723 | - |
| Contracted services - other | - | - | 250 | - |
| Allocation of equipment costs | - | - | 211 | - |
| Total | <u>30,500</u> | <u>1,850</u> | <u>1,779</u> | <u>71</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, 2019

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|-------------------------|------------------|---------------------------|---|
| | ORIGINAL | FINAL | | |
| EXPENDITURES (Continued): | | | | |
| PUBLIC WORKS: (Continued) | | | | |
| WINTER MAINTENANCE: | | | | |
| Salaries and wages | - | - | 4,103 | - |
| Payroll taxes | - | - | 310 | - |
| Employee benefits | - | - | 1,006 | - |
| Operating supplies | - | - | 5,772 | - |
| Allocation of equipment costs | - | - | 7,533 | - |
| Total | <u>19,200</u> | <u>19,200</u> | <u>18,724</u> | <u>476</u> |
| TRAFFIC SERVICES: | | | | |
| Salaries and wages | - | - | 1,919 | - |
| Payroll taxes | - | - | 144 | - |
| Employee benefits | - | - | 528 | - |
| Operating supplies | - | - | 1,815 | - |
| Contracted services - other | - | - | 2,003 | - |
| Allocation of equipment costs | - | - | 1,159 | - |
| Total | <u>24,950</u> | <u>16,450</u> | <u>7,568</u> | <u>8,882</u> |
| Total public works | <u>223,675</u> | <u>111,725</u> | <u>90,674</u> | <u>21,051</u> |
| DEBT SERVICE: | | | | |
| Bond principal payments | - | - | 60,000 | - |
| Interest | - | - | 11,925 | - |
| Total debt service | <u>72,105</u> | <u>72,105</u> | <u>71,925</u> | <u>180</u> |
| Total expenditures | <u>326,920</u> | <u>220,470</u> | <u>198,323</u> | <u>22,147</u> |
| Excess of revenues over expenditures before other financing sources (uses) | (74,480) | 51,635 | 75,616 | 23,981 |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers in (out) | <u>49,486</u> | <u>18,000</u> | <u>18,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (24,994) | 69,635 | 93,616 | 23,981 |
| FUND BALANCE, BEGINNING OF YEAR | <u>13,525</u> | <u>13,525</u> | <u>13,525</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ (11,469)</u> | <u>\$ 83,160</u> | <u>\$ 107,141</u> | <u>\$ 23,981</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, 2019

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--------------------------------|-------------------------|----------------|-----------------------|---|
| | ORIGINAL | FINAL | | |
| REVENUES: | | | | |
| State shared revenues - Act 51 | \$ 67,875 | \$ 75,875 | \$ 73,019 | \$ (2,856) |
| PA 283 County road millage | 26,000 | 26,000 | 25,647 | (353) |
| Other state grants - PA 207 | - | 30,000 | 30,992 | - |
| Interest income | 100 | 100 | 206 | 106 |
| Other revenues | - | - | 510 | 510 |
| Total revenues | <u>93,975</u> | <u>131,975</u> | <u>130,374</u> | <u>(2,593)</u> |
| EXPENDITURES: | | | | |
| GENERAL GOVERNMENT: | | | | |
| ADMINISTRATION: | | | | |
| Salaries and wages | - | - | 13,362 | - |
| Payroll taxes | - | - | 1,005 | - |
| Employee benefits | - | - | 3,884 | - |
| Memberships | - | - | 100 | - |
| Audit services | - | - | 420 | - |
| Insurance | - | - | 2,156 | - |
| Repairs and maintenance | - | - | 173 | - |
| Total General Government | <u>27,695</u> | <u>22,695</u> | <u>21,100</u> | <u>1,595</u> |
| PUBLIC WORKS: | | | | |
| STREET MAINTENANCE: | | | | |
| Salaries and wages | - | - | 22,111 | - |
| Payroll taxes | - | - | 1,613 | - |
| Employee benefits | - | - | 6,376 | - |
| Operating supplies | - | - | 1,394 | - |
| Crack Sealing | - | - | 15,104 | - |
| Allocation of equipment costs | - | - | 15,813 | - |
| Total | <u>128,450</u> | <u>67,250</u> | <u>62,411</u> | <u>4,839</u> |
| WINTER MAINTENANCE: | | | | |
| Salaries and wages | - | - | 3,310 | - |
| Payroll taxes | - | - | 250 | - |
| Employee benefits | - | - | 858 | - |
| Operating supplies | - | - | 5,772 | - |
| Contracted services - other | - | - | 329 | - |
| Allocation of equipment costs | - | - | 5,722 | - |
| Total | <u>17,950</u> | <u>17,950</u> | <u>16,241</u> | <u>1,709</u> |
| BRIDGE MAINTENANCE: | | | | |
| Operating supplies | - | - | 43 | - |
| Contracted services - other | - | - | 2,190 | - |
| Total | <u>180</u> | <u>2,380</u> | <u>2,233</u> | <u>147</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, 2019

| | <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 | - | - | 1,419 | - |
| Payroll taxes | - | - | 107 | - |
| Employee benefits | - | - | 383 | - |
| Operating supplies | - | - | 1,977 | - |
| Striping | - | - | 2,003 | - |
| Allocation of equipment costs | - | - | 860 | - |
| Total | <u>15,800</u> | <u>15,800</u> | <u>6,749</u> | <u>9,051</u> |
| Total public works | <u>162,380</u> | <u>103,380</u> | <u>87,634</u> | <u>15,746</u> |
| Total expenditures | <u>190,075</u> | <u>126,075</u> | <u>108,734</u> | <u>17,341</u> |
| Excess of revenues over expenditures before other financing sources (uses) | <u>(96,100)</u> | <u>5,900</u> | <u>21,640</u> | <u>14,748</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers in (out) | <u>55,280</u> | <u>21,000</u> | <u>21,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (40,820) | 26,900 | 42,640 | 14,748 |
| FUND BALANCE, BEGINNING OF YEAR | <u>12,112</u> | <u>12,112</u> | <u>12,112</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ (28,708)</u> | <u>\$ 39,012</u> | <u>\$ 54,752</u> | <u>\$ 14,748</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, 2019

| | <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 | \$ 142,646 | \$ 142,646 | \$ 143,430 | \$ 784 |
| Personal property tax reimbursement | 15,488 | 31,188 | 31,249 | 61 |
| Interest income | 1,375 | 4,975 | 7,639 | 2,664 |
| Total revenues | <u>159,509</u> | <u>178,809</u> | <u>182,318</u> | <u>3,509</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers in (out) | <u>(104,766)</u> | <u>(39,000)</u> | <u>(39,000)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 54,743 | 139,809 | 143,318 | 3,509 |
| FUND BALANCE, BEGINNING OF YEAR | <u>372,776</u> | <u>372,776</u> | <u>372,776</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 427,519</u></u> | <u><u>\$ 512,585</u></u> | <u><u>\$ 516,094</u></u> | <u><u>\$ 3,509</u></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, 2019

| | <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 | \$ 37,981 | \$ 37,981 | \$ 38,175 | \$ 194 |
| Personal property tax reimbursement | 4,122 | 8,222 | 8,317 | 95 |
| Interest income | 550 | 550 | 1,914 | 1,364 |
| Other revenues | 200 | 3,900 | 3,900 | - |
| Contributions | 420,000 | 336,750 | 265,332 | (71,418) |
| Total revenues | <u>462,853</u> | <u>387,403</u> | <u>317,638</u> | <u>(69,765)</u> |
| EXPENDITURES: | | | | |
| Salaries and wages | - | - | 18,713 | - |
| Payroll taxes | - | - | 1,403 | - |
| Employee benefits | - | - | 3,335 | - |
| Operating supplies | - | - | 3,875 | - |
| Audit services | - | - | 320 | - |
| Public utilities | - | - | 3,167 | - |
| Insurance | - | - | 1,078 | - |
| Repairs and maintenance | - | - | 139 | - |
| Port-a-jons | - | - | 2,730 | - |
| Allocation of equipment costs | - | - | 6,000 | - |
| Capital outlay | - | - | 652,856 | - |
| Total expenditures | <u>809,320</u> | <u>691,820</u> | <u>693,616</u> | <u>(1,796)</u> |
| Excess of revenues over expenditures before other financing sources (uses) | <u>(346,467)</u> | <u>(304,417)</u> | <u>(375,978)</u> | <u>(71,561)</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers in (out) | <u>350,000</u> | <u>313,250</u> | <u>408,000</u> | <u>94,750</u> |
| NET CHANGE IN FUND BALANCE | 3,533 | 8,833 | 32,022 | 23,189 |
| FUND BALANCE, BEGINNING OF YEAR | <u>109,129</u> | <u>109,129</u> | <u>109,129</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 112,662</u> | <u>\$ 117,962</u> | <u>\$ 141,151</u> | <u>\$ 23,189</u> |

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

VILLAGE OF MANCHESTER

Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios

June 30, 2019

| | 2019 | 2018 |
|---|-------------|-------------|
| Total OPEB Liability | | |
| Service Cost | \$ 7,024 | \$ 6,820 |
| Interest Cost | 18,221 | 16,852 |
| Benefit payments including employee refunds | (6,420) | (4,426) |
| Net Change in OPEB Liability | 18,825 | 19,246 |
| Total OPEB Liability beginning | 246,156 | 226,910 |
| Total Pension Liability ending | \$ 264,981 | \$ 246,156 |
| Plan Fiduciary Net Position | | |
| Contributions-employer | \$ 9,686 | \$ 19,414 |
| Contributions-employee | 2,079 | 1,609 |
| Net Investment income | 15,460 | 13,612 |
| Benefit payments | (6,420) | (6,035) |
| Administrative expense | (407) | (443) |
| Net Change in Plan Fiduciary Net Position | 20,398 | 28,157 |
| Plan Fiduciary Net Position beginning | 203,660 | 175,503 |
| Plan Fiduciary Net Position ending | \$ 224,058 | \$ 203,660 |
| Employer Net Pension Liability | \$ 40,923 | \$ 42,496 |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 85% | 83% |
| Covered Employee Payroll | \$ 298,423 | \$ 291,916 |
| Employer's Net Pension Liability as a percentage of covered employee payroll | 14% | 15% |

VILLAGE OF MANCHESTER
Schedule of Employer's Contributions
Last 10 Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-----------------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarial Determined Contributions | \$ 11,765 | \$ 11,524 | \$ 18,167 | \$ 17,650 | \$ 21,185 | \$ 21,818 | \$ 21,928 | \$ 14,971 | \$ 15,194 | \$ 17,069 |
| Contributions in relation to the actuarially determined contribution | 11,765 | 11,524 | 18,167 | 17,650 | 21,185 | 21,818 | 21,928 | 14,971 | 15,194 | 17,069 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Employee Payroll | \$ 298,423 | \$ 291,916 | 386,671 | 388,288 | 374,002 | 368,304 | 356,438 | 357,049 | 355,149 | 351,779 |
| Contributions as a percentage of covered employee payroll | 4% | 4% | 5% | 5% | 6% | 6% | 6% | 4% | 4% | 5% |
| Notes to Schedule | | | | | | | | | | |
| Actuarial cost method | Entry Age | | | | | | | | | |
| Amortization method | Normal as a percentage of payroll | | | | | | | | | |
| Remaining amortization period | 30 years | | | | | | | | | |
| Asset smoothing method | None | | | | | | | | | |
| Inflation | 2.5% | | | | | | | | | |
| Salary Increases | 3.0% | | | | | | | | | |
| Investment rate of return | 7.5% | | | | | | | | | |
| Retirement age | Varies depending on plan adoption | | | | | | | | | |
| Mortality | PRH-2014-Headcount-weighted | | | | | | | | | |

VILLAGE OF MANCHESTER

OTHER INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2019

| | <u>DATE OF ISSUE</u> | <u>AMOUNT OF ISSUE</u> | <u>INTEREST RATE</u> | <u>DATE OF MATURITY</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> |
|---|--------------------------|----------------------------|--------------------------|-----------------------------|-------------------|-------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | | |
| UNLIMITED TAX GENERAL OBLIGATION BONDS | 06/22/10 | \$ 795,000 | 3.65% | 05/01/20 | \$ 86,485 | \$ 5,419 |
| | | | 4.00% | 05/01/21 | 56,548 | 2,261 |
| Total | | | | | <u>\$ 143,033</u> | <u>\$ 7,680</u> |
| UNLIMITED TAX GENERAL OBLIGATION BONDS | 06/10/15 | \$ 635,000 | 2.05% | 05/01/20 | \$ 65,000 | \$ 11,025 |
| | | | 2.20% | 05/01/21 | 70,000 | 9,693 |
| | | | 2.40% | 05/01/22 | 75,000 | 8,153 |
| | | | 2.55% | 05/01/23 | 75,000 | 6,353 |
| | | | 2.70% | 05/01/24 | 80,000 | 4,440 |
| | | | 2.85% | 05/01/25 | 80,000 | 2,280 |
| Total | | | | | <u>\$ 445,000</u> | <u>\$ 41,944</u> |
| Total Governmental Activities | | | | | <u>\$ 588,033</u> | <u>\$ 49,624</u> |
| <u>BUSINESS TYPE ACTIVITIES</u> | | | | | | |
| UNLIMITED TAX GENERAL OBLIGATION BONDS - Sewer - Series 2010 | 06/22/10 | \$ 400,000 | 3.65% | 05/01/20 | \$ 43,515 | \$ 2,726 |
| | | | 4.00% | 05/01/21 | 28,453 | 1,138 |
| Total | | | | | <u>\$ 71,968</u> | <u>\$ 3,864</u> |
| <u>MICHIGAN MUNICIPAL BOND AUTHORITY</u> | | | | | | |
| Michigan Drinking Water Revolving Fund | 06/25/15 | \$ 688,024 | 2.50% | 10/01/19 | \$ 30,000 | \$ 14,326 |
| | | | 2.50% | 10/01/20 | 30,000 | 13,576 |
| | | | 2.50% | 10/01/21 | 30,000 | 12,826 |
| | | | 2.50% | 10/01/22 | 30,000 | 12,076 |
| | | | 2.50% | 10/01/23 | 30,000 | 11,326 |
| | | | 2.50% | 10/01/24 | 30,000 | 10,576 |
| | | | 2.50% | 10/01/25 | 30,000 | 9,826 |
| | | | 2.50% | 10/01/26 | 35,000 | 9,013 |
| | | | 2.50% | 10/01/27 | 35,000 | 8,138 |
| | | | 2.50% | 10/01/28 | 35,000 | 7,263 |
| | | | 2.50% | 10/01/29 | 35,000 | 6,388 |
| | | | 2.50% | 10/01/30 | 35,000 | 5,513 |
| | | | 2.50% | 10/01/31 | 40,000 | 4,576 |
| | | | 2.50% | 10/01/32 | 40,000 | 3,576 |
| | | | 2.50% | 10/01/33 | 40,000 | 2,576 |
| | | | 2.50% | 10/01/34 | 40,000 | 1,576 |
| | | | 2.50% | 10/01/35 | 43,023 | 534 |
| Total | | | | | <u>\$ 588,023</u> | <u>\$ 133,685</u> |
| Total Water and Sewer Enterprise Funds | | | | | <u>\$ 659,991</u> | <u>\$ 137,549</u> |

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MEMBERS:
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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, 2019, and have issued our report thereon dated November 4, 2019. 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 October 2, 2019, 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 2019. 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.

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 November 4, 2019.

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

MARKOWSKI & COMPANY CPAs
November 4, 2019

MARKOWSKI & COMPANY

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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, 2019, 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. Our identification of significant deficiencies that were identified during the audit are found in the Schedule of Findings and Responses attached.

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.

Markowski & Company, CPAs

Markowski & Company, CPAs
November 4, 2019

VILLAGE OF MANCHESTER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Findings considered a significant deficiency

Criteria

Statement on Auditing Standards No. 115 titled *Communicating Internal Control Related Matters Identified in an Audit* requires us to communicate in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition 2019 – 1

Because of the limited size of the Village's accounting staff, proper segregation of duties cannot be accomplished.

Cause

The Village has a lack of staff allowing for separation of duties.

Effect

The Village has staff performing conflicting internal control duties (such as preparing cash disbursements and reconciling the bank).

Recommendation

The Village's board needs to continue to exercise management oversight to help compensate for the lack of staff.

Client Response

We are aware of this deficiency; management and the board will continue to exercise oversight to reduce the risks associated with the lack of staff size.