

VILLAGE OF MANCHESTER
WASHTENAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDING JUNE 30, 2012

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and remaining fund information, which collectively comprise the basic financial statements, of the Village of Manchester, Michigan, (the Village), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

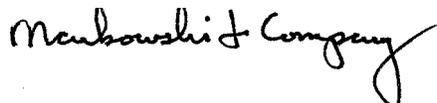
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and remaining fund information of the Village of Manchester at June 30, 2012, and the changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The accompanying required supplementary information, as described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,



MARKOWSKI & COMPANY, CPAs
October 23, 2012

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, 2012. We encourage readers to consider the information presented here.

This annual report consists of a series of financial statements. The Statement of Net Assets 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 combined net assets of \$10,005,276. Of this amount, \$2,866,293 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$6,645,932 reflect 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 \$493,051 of net assets are restricted for various uses as determined by external constraints by grantors, contributors, or laws or regulations.

The Village's total net assets decreased \$108,028 (1%) in 2012. Governmental activities net assets decreased \$7,412 and Business-Type activities decreased \$100,616.

In a condensed format, the following table shows net assets as of June 30, 2012 and 2011:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 1,979,223	\$ 1,959,193	\$ 1,543,374	\$ 1,499,045	\$ 3,522,597	\$ 3,458,238
Noncurrent Assets	4,138,453	4,258,615	3,776,200	4,006,268	7,914,653	8,264,883
Total Assets	6,117,676	6,217,808	5,319,574	5,505,313	11,437,250	11,723,121
Current Liabilities	189,215	215,407	127,759	144,410	316,974	359,817
Long-Term Debt	595,418	661,946	519,582	588,054	1,115,000	1,250,000
Total Liabilities	784,633	877,353	647,341	732,464	1,431,974	1,609,817
Net Assets						
Invested in Capital Assets - Net of Related Debt	3,476,508	3,530,142	3,169,424	3,269,569	6,645,932	6,799,711
Restricted For:						
Highways and Streets	373,696	290,342	-	-	373,696	290,342
Debt Service	11,180	11,378	2,434	66,257	13,614	77,635
Recreational and Cultural	82,383	91,556	-	-	82,383	91,556
Capital Improvements	23,358	24,902	-	-	23,358	24,902
Unrestricted	1,365,918	1,392,135	1,500,375	1,437,023	2,866,293	2,829,158
Total Net Assets	\$ 5,333,043	\$ 5,340,455	\$ 4,672,233	\$ 4,772,849	\$ 10,005,276	\$ 10,113,304

Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net assets as of June 30, 2012 and 2011:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for Services	\$ 225,247	\$ 204,870	\$ 700,497	\$ 692,325	\$ 925,744	\$ 897,195
Operating Grants and Contributions	347,062	308,421	-	-	347,062	308,421
Capital Grants and Contributions	87,785	86,500	44,068	63,591	131,853	150,091
General Revenues						
Property Taxes	714,915	742,383	-	-	714,915	742,383
State-Shared Revenues	180,740	178,317	-	-	180,740	178,317
Interest Income	5,715	8,779	3,147	8,323	8,862	17,102
Franchise Fees	23,554	23,730	-	-	23,554	23,730
Other Income	28,780	6,887	500	-	29,280	6,887
Total Revenues	1,613,798	1,559,887	748,212	764,239	2,362,010	2,324,126
Program Expenses						
Legislative	48,767	73,085	-	-	48,767	73,085
General Government	381,009	355,325	-	-	381,009	355,325
Public Safety	486,520	473,821	-	-	486,520	473,821
Public Works	352,669	344,971	-	-	352,669	344,971
Recreational and Cultural	39,366	44,169	-	-	39,366	44,169
Interest on Long-Term Debt	21,235	20,745	-	-	21,235	20,745
Depreciation	291,644	296,377	-	-	291,644	296,377
Water and Sewer	-	-	848,828	830,713	848,828	830,713
Total Expenses	1,621,210	1,608,493	848,828	830,713	2,470,038	2,439,206
Change in Net Assets	\$ (7,412)	\$ (48,606)	\$ (100,616)	\$ (66,474)	\$ (108,028)	\$ (115,080)

Government Activities

The Village's total governmental revenues increased by \$53,911. The increase in "Charges for Services" relates to the new recycling program and the shift of tax revenues (and expenses) from the Township to the Village. The increase in "Grants and Contributions" reflects the increased tax revenues being directed to the street funds to accumulate for future projects including matching funds for the repair of the Main Street Bridge. A portion of the tax revenue is available for the redirection due to the pay-off outstanding debt. "Other Income" relates to the cost share from Washtenaw County for portable radios and from Manchester Township and Manchester Community Schools for the fuel tank construction.

Property tax revenues decreased due to taxable values decreasing by 5% or \$3.7 million dollars.

State shared revenues remained consistently low from historical amounts as the economy remains stagnant.

The Village's expenditures remained consistent. "Legislative" expenses in 2011 included a \$15,000 contribution to the DDA and the 2012 "General Government" expenses reflect the expenses for the recycling program as well as major heating and cooling maintenance.

Management's Discussion and Analysis

Business Type Activities

The Village's business-type activities consist of its Water and Sewer funds. During 2012, net assets decreased by \$100,616. Revenues remained consistent with no new rate increases for 2012. Expenditures increased 2% primarily in allocated employee wages and benefits due to the DPW involvement in the water system improvements in conjunction with the M-52 project.

The Village's Funds

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

The General Fund, the major governmental fund, relates to the general governmental activities for the Village, which is financed by property tax levies, by distribution of state shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance increased by \$22,437.

Police services continued to increase (2%) as public safety costs rise. These services are contracted through the County of Washtenaw.

The Water and Sewer Funds are used to account for business-like activities provided to the Village's residents. The Village charges for water and sewer service and other related goods and services. Net Assets decreased by \$100,616 as depreciation out-paced purchase of new assets. Revenues have stabilized and operating expenditures increased by 2%. Depreciation expense in the enterprise funds totaled \$297,617.

The Village maintains several Special Revenue Funds to account for resources set aside for specific purposes as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity. Principally among these funds are the Major and Local Street funds used to account for Village roads and street activity. The Village levies a municipal street tax in order to maintain the stability of these funds. The Municipal Street fund transferred \$93,000 to maintain these funds and to begin to accumulate fund balance to aid in the Main Street Bridge repairs.

General Fund Budgetary Highlights

The original budget adopted for the Village's General Fund projected a \$732,340 decrease in fund balance, primarily by budgeting for capital improvements to the downtown area. As the year progressed, and actual events took place, an amended budget was adopted to more precisely reflect the M-52 and streetscape project timing. The final General Fund amended budget projected a \$507,810 decrease in fund balance. Actual fund balance increased by \$22,437 when expenditures for the project were moved into the next fiscal year.

The administration continues to anticipate reduced taxable values and no increases to the lower state shared revenues. Council has met the criteria proposed by the State of Michigan in order to receive the maximum amount of State Shared Revenue available. The Village will continue to cut costs where necessary in order to maintain financial stability.

Management's Discussion and Analysis

Capital Asset and Debt Administration

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

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 254,910	\$ 30,005	\$ 284,915
Buildings and improvements	1,554,421	97,349	1,651,770
Equipment, furniture and fixtures	308,619	371,297	679,916
Infrastructure	2,020,503	-	2,020,503
Distribution and collection system	-	3,258,828	3,258,828
Total	<u>\$ 4,138,453</u>	<u>\$ 3,757,479</u>	<u>\$ 7,895,932</u>

At the end of the year the Village had total debt outstanding of \$1,250,000.

Economic Factors and Next Year's Budgets and Rates

The Village of Manchester continues to monitor state and local economies to determine the direction of our fiscal decisions. The Village budget takes a conservative view of property values and projects a 6% to 7% decrease in property tax revenue for fiscal year 2012/2013. For 2012/2013 we will again meet the Headlee cap. Combined with the reduction in taxable values, most residents will continue to see a reduced tax bill. Revenues will continue to be allocated to the street funds to help offset proposed engineering costs for the Main Street Bridge project. A modest 1.8% budgeted pay raise to employees will be the first increase in three years. Changes in efficiencies of streetlights should help reduce this major expense and contracts in place for police services help predict future costs, although changes in police collaborations may dictate a change in service level.

Water and sewer funds and infrastructures remain stable. The proposed 1% rate increases next year will allow us to continue to fund our capital outlay program and maintain healthy reserves.

The future outlook remains stable. Village Council and management will continue to keep abreast of state and federal issues that affect the Village and its residents. Village management will seek out and work with economic programs to match and enhance taxpayer dollars. We all remain committed to streamlining operations and challenging the ways in which we operate so that services to the residents are maintained.

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
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 JUNE 30, 2012

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,670,390	\$ 1,047,291	\$ 2,717,681	\$ 15,618
Investments	177,210	370,808	548,018	-
Accounts receivable:				
Taxes	1,121	50	1,171	-
Customers	26,447	85,912	112,359	-
Other	30,138	823	30,961	-
Due from other governments	81,955	-	81,955	-
Internal balances	(8,038)	8,038	-	-
Inventory	-	30,452	30,452	-
Total current assets	<u>1,979,223</u>	<u>1,543,374</u>	<u>3,522,597</u>	<u>15,618</u>
NONCURRENT ASSETS				
Capital assets:				
Land and land improvements	390,683	30,005	420,688	30,000
Buildings and improvements	2,263,781	130,548	2,394,329	-
Equipment, furniture and fixtures	997,536	711,531	1,709,067	-
Infrastructure - roads	4,024,728	-	4,024,728	-
Distribution and collection system	-	7,985,809	7,985,809	-
Less - Accumulated depreciation	<u>(3,538,275)</u>	<u>(5,100,414)</u>	<u>(8,638,689)</u>	<u>-</u>
Net property and equipment	4,138,453	3,757,479	7,895,932	30,000
Deferred charges	-	18,721	18,721	-
Total noncurrent assets	<u>4,138,453</u>	<u>3,776,200</u>	<u>7,914,653</u>	<u>30,000</u>
Total assets	<u>6,117,676</u>	<u>5,319,574</u>	<u>11,437,250</u>	<u>45,618</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	71,667	51,627	123,294	-
Accrued interest payable	3,216	3,212	6,428	-
Accrued payroll	3,859	4,447	8,306	-
Accrued leave payable	34,446	-	34,446	-
Deposits	9,500	-	9,500	-
Bonds, notes, and loans payable	66,527	68,473	135,000	-
Total current liabilities	<u>189,215</u>	<u>127,759</u>	<u>316,974</u>	<u>-</u>
NONCURRENT LIABILITIES				
Bonds, notes, and loans payable	595,418	519,582	1,115,000	-
Total liabilities	<u>784,633</u>	<u>647,341</u>	<u>1,431,974</u>	<u>-</u>
NET ASSETS				
Invested in capital assets - net of related debt	3,476,508	3,169,424	6,645,932	30,000
Restricted for:				
Highways and streets	373,696	-	373,696	-
Debt service	11,180	2,434	13,614	-
Recreational and cultural	82,383	-	82,383	-
Capital improvements	482,868	-	482,868	-
Unrestricted	906,408	1,500,375	2,406,783	15,618
Total net assets	<u>\$ 5,333,043</u>	<u>\$ 4,672,233</u>	<u>\$ 10,005,276</u>	<u>\$ 45,618</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 48,767	\$ -	\$ -	\$ -
General government	381,009	180,473	-	87,785
Public safety	486,520	7,011	-	-
Public works	352,669	37,763	307,198	-
Recreational and cultural	39,366	-	39,864	-
Interest on long-term debt	21,235	-	-	-
Depreciation	291,644	-	-	-
Total governmental activities	<u>1,621,210</u>	<u>225,247</u>	<u>347,062</u>	<u>87,785</u>
Business-type activities				
Water and sewer	<u>848,828</u>	<u>700,497</u>	<u>-</u>	<u>44,068</u>
Total primary government	<u>\$ 2,470,038</u>	<u>\$ 925,744</u>	<u>\$ 347,062</u>	<u>\$ 131,853</u>
Component Unit:				
Downtown Development Authority	<u>\$ 1,303</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>
General revenues				
Property taxes				
State-shared revenues				
Interest income				
Franchise fees				
Other income				
Total general revenues				
Change in net assets				
Net assets - Beginning				
Net assets - Ending				

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

**Net (Expenses) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (48,767)	\$ -	\$ (48,767)	\$ -
(112,751)	-	(112,751)	-
(479,509)	-	(479,509)	-
(7,708)	-	(7,708)	-
498	-	498	-
(21,235)	-	(21,235)	-
(291,644)	-	(291,644)	-
(961,116)	-	(961,116)	-
-	(104,263)	(104,263)	-
(961,116)	(104,263)	(1,065,379)	-
-	-	-	1,697
714,915	-	714,915	-
180,740	-	180,740	-
5,715	3,147	8,862	46
23,554	-	23,554	-
28,780	500	29,280	-
953,704	3,647	957,351	46
(7,412)	(100,616)	(108,028)	1,743
5,340,455	4,772,849	10,113,304	43,875
\$ 5,333,043	\$ 4,672,233	\$ 10,005,276	\$ 45,618

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 1,129,149	\$ 48,568	\$ 8,506	\$ 377,483	\$ 1,563,706
Investments	23,358	-	-	-	23,358
Accounts receivable:					
Taxes	905	-	-	216	1,121
Customers	21,964	100	100	-	22,164
Other	6,076	-	-	-	6,076
Due from other funds	342	26,845	1,252	279	28,718
Due from other governments	55,950	18,524	7,481	-	81,955
Advances to other funds	26,000	-	-	-	26,000
	<u>\$ 1,263,744</u>	<u>\$ 94,037</u>	<u>\$ 17,339</u>	<u>\$ 377,978</u>	<u>\$ 1,753,098</u>
Total assets					
	<u>\$ 1,263,744</u>	<u>\$ 94,037</u>	<u>\$ 17,339</u>	<u>\$ 377,978</u>	<u>\$ 1,753,098</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 50,405	\$ 426	\$ 1,540	\$ 506	\$ 52,877
Accrued interest payable	3,216	-	-	-	3,216
Accrued payroll	1,966	815	704	272	3,757
Due to other funds	19,879	1,562	1,950	25,500	48,891
Deposits	9,500	-	-	-	9,500
Total liabilities	<u>84,966</u>	<u>2,803</u>	<u>4,194</u>	<u>26,278</u>	<u>118,241</u>
FUND BALANCES					
Restricted for:					
Highways and streets	-	91,234	13,145	269,317	373,696
Debt service	11,180	-	-	-	11,180
Recreational and cultural	-	-	-	82,383	82,383
Capital improvements	23,358	-	-	-	23,358
Assigned for capital improvements	322,279	-	-	-	322,279
Unassigned	821,961	-	-	-	821,961
Total fund balances	<u>1,178,778</u>	<u>91,234</u>	<u>13,145</u>	<u>351,700</u>	<u>1,634,857</u>
Total liabilities and fund equity	<u>\$ 1,263,744</u>	<u>\$ 94,037</u>	<u>\$ 17,339</u>	<u>\$ 377,978</u>	<u>\$ 1,753,098</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 ASSETS
JUNE 30, 2012

Total fund balance - total governmental funds	\$ 1,634,857
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of the Internal Service Fund. (Net of accumulated depreciation).	4,138,453
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 assets.	256,124
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(661,945)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(34,446)</u>
Net assets of governmental activities	<u><u>\$ 5,333,043</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, 2012

	GENERAL FUND	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENT FUNDS	TOTAL
REVENUES:					
Taxes and penalties	\$ 802,700	\$ -	\$ -	\$ 189,624	\$ 992,324
Franchise fee	23,554	-	-	-	23,554
Licenses and permits	1,835	-	-	-	1,835
Fees and fines	7,011	-	-	-	7,011
Intergovernmental - State	180,740	112,185	45,253	-	338,178
Charges for services	97,868	-	-	-	97,868
Rental income	90,272	-	-	-	90,272
Interest income	4,043	106	19	758	4,926
Other revenues	4,276	681	681	1,043	6,681
Total revenues	<u>1,212,299</u>	<u>112,972</u>	<u>45,953</u>	<u>191,425</u>	<u>1,562,649</u>
EXPENDITURES:					
Current:					
Legislative	48,767	-	-	-	48,767
General government	444,404	-	-	-	444,404
Public safety	486,520	-	-	-	486,520
Public works	122,408	112,638	112,344	978	348,368
Recreational & cultural	-	-	-	51,842	51,842
Debt service	87,763	-	-	-	87,763
Total expenditures	<u>1,189,862</u>	<u>112,638</u>	<u>112,344</u>	<u>52,820</u>	<u>1,467,664</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>22,437</u>	<u>334</u>	<u>(66,391)</u>	<u>138,605</u>	<u>94,985</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	25,000	68,000	-	93,000
Operating transfers (out)	-	-	-	(93,000)	(93,000)
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>68,000</u>	<u>(93,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>22,437</u>	<u>25,334</u>	<u>1,609</u>	<u>45,605</u>	<u>94,985</u>
FUND BALANCE - Beginning of year	<u>1,156,341</u>	<u>65,900</u>	<u>11,536</u>	<u>306,095</u>	<u>1,539,872</u>
FUND BALANCE - End of year	<u>\$ 1,178,778</u>	<u>\$ 91,234</u>	<u>\$ 13,145</u>	<u>\$ 351,700</u>	<u>\$ 1,634,857</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, 2012**

Net change in fund balances - total governmental funds	\$ 94,985
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 assets, 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.	81,327
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, 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.	(291,644)
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.	45,967
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.	(4,575)
The payments of long term debt consumes the current financial resources of governmental funds.	66,528
Change in net assets of governmental activities	<u>\$ (7,412)</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

ASSETS	ENTERPRISE FUNDS			INTERNAL
	WATER	SEWER	TOTAL	SERVICE
				FUND
CURRENT ASSETS:				
Cash and cash equivalents	\$ 586,048	\$ 461,243	\$ 1,047,291	\$ 106,684
Investments	100,988	269,820	370,808	153,852
Accounts receivable:				
Taxes	-	50	50	-
Customers	30,509	55,403	85,912	4,283
Prepaid expenses	-	-	-	-
Due from other funds	6,070	17,268	23,338	10,197
Inventory	30,452	-	30,452	-
Special assessment receivable - current	-	-	-	-
Total current assets	<u>754,067</u>	<u>803,784</u>	<u>1,557,851</u>	<u>275,016</u>
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	3,005	27,000	30,005	-
Buildings and improvements	121,148	9,400	130,548	-
Equipment, furniture and fixtures	351,526	360,005	711,531	765,326
Distribution and collection system	1,951,682	6,034,127	7,985,809	-
Less - Accumulated depreciation	<u>(832,381)</u>	<u>(4,268,033)</u>	<u>(5,100,414)</u>	<u>(561,940)</u>
Net property and equipment	1,594,980	2,162,499	3,757,479	203,386
Deferred charges:				
Unamortized bond issuance costs	<u>2,800</u>	<u>15,921</u>	<u>18,721</u>	<u>-</u>
Total noncurrent assets	<u>1,597,780</u>	<u>2,178,420</u>	<u>3,776,200</u>	<u>203,386</u>
Total assets	<u>2,351,847</u>	<u>2,982,204</u>	<u>5,334,051</u>	<u>478,402</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	28,082	23,545	51,627	18,790
Accrued interest payable	1,594	1,618	3,212	-
Accrued payroll	1,343	3,104	4,447	102
Due to other funds	12,659	1,818	14,477	-
Bonds, notes, and loans payable	<u>35,000</u>	<u>33,473</u>	<u>68,473</u>	<u>-</u>
Total current liabilities	<u>78,678</u>	<u>63,558</u>	<u>142,236</u>	<u>18,892</u>
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	<u>220,000</u>	<u>299,582</u>	<u>519,582</u>	<u>-</u>
Total liabilities	<u>298,678</u>	<u>363,140</u>	<u>661,818</u>	<u>18,892</u>
NET ASSETS:				
Invested in capital assets - net of related debt	1,339,980	1,829,444	3,169,424	203,386
Restricted for debt service	-	2,434	2,434	-
Unrestricted	<u>713,189</u>	<u>787,186</u>	<u>1,500,375</u>	<u>256,124</u>
Total net assets	<u>\$ 2,053,169</u>	<u>\$ 2,619,064</u>	<u>\$ 4,672,233</u>	<u>\$ 459,510</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	ENTERPRISE FUNDS			INTERNAL
	WATER	SEWER	TOTAL	SERVICE
				FUND
OPERATING REVENUES:				
Charges for services	\$ 261,423	\$ 400,821	\$ 662,244	\$ 98,780
Charges for services - Bridgewater Township	-	31,303	31,303	-
Connection fees and other charges	3,710	3,240	6,950	-
Total operating revenues	<u>265,133</u>	<u>435,364</u>	<u>700,497</u>	<u>98,780</u>
OPERATING EXPENSES:				
Salaries and wages	77,773	140,970	218,743	20,077
Payroll taxes	5,826	10,533	16,359	1,516
Employee benefits	28,081	51,858	79,939	7,516
Chemicals	5,095	8,657	13,752	-
Operating supplies	6,619	13,497	20,116	12,384
Uniforms	-	802	802	-
Gasoline and oil	-	582	582	17,492
Postage	1,062	1,287	2,349	-
Purchased services - other	390	3,318	3,708	150
Purchased services - water testing	610	1,890	2,500	-
Purchased services - rodding	-	15,690	15,690	-
Purchased services - sludge removal	-	25,289	25,289	-
Purchased services - engineering	-	834	834	-
Purchased services - audit	1,200	2,800	4,000	500
Permits and fees	-	2,789	2,789	-
Telephone	983	3,910	4,893	-
Public utilities	19,439	43,787	63,226	-
Training, education and seminars	-	1,657	1,657	-
Memberships	1,408	160	1,568	-
Repairs and maintenance	10,664	8,371	19,035	8,253
Insurance	1,847	1,778	3,625	7,813
Printing	129	-	129	-
Allocation of equipment costs	16,230	12,031	28,261	-
Depreciation	87,922	209,695	297,617	25,694
Total operating expenses	<u>265,278</u>	<u>562,185</u>	<u>827,463</u>	<u>101,395</u>
OPERATING INCOME (LOSS)	<u>(145)</u>	<u>(126,821)</u>	<u>(126,966)</u>	<u>(2,615)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	1,254	1,893	3,147	790
Collection of tax assessments	-	44,068	44,068	-
Other income	-	500	500	22,099
Interest expense	(7,031)	(10,562)	(17,593)	-
Miscellaneous expense	(296)	(1,305)	(1,601)	-
Amortization of bond issuance costs	(400)	(1,771)	(2,171)	-
Total non-operating revenues (expenses)	<u>(6,473)</u>	<u>32,823</u>	<u>26,350</u>	<u>22,889</u>
Net change in net assets	(6,618)	(93,998)	(100,616)	20,274
TOTAL NET ASSETS - Beginning of year	<u>2,059,787</u>	<u>2,713,062</u>	<u>4,772,849</u>	<u>439,236</u>
TOTAL NET ASSETS - End of year	<u>\$ 2,053,169</u>	<u>\$ 2,619,064</u>	<u>\$ 4,672,233</u>	<u>\$ 459,510</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, 2012

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 262,891	\$ 429,838	\$ 692,729	\$ 94,830
Payments to suppliers	(43,816)	(130,027)	(173,843)	(24,549)
Payments to employees	(111,203)	(202,851)	(314,054)	(29,116)
Payments (to) from other funds	5,167	(7,156)	(1,989)	1,136
Net cash provided (used) by operating activities	<u>113,039</u>	<u>89,804</u>	<u>202,843</u>	<u>42,301</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(57,159)	(12,559)	(69,718)	(90,156)
Principal and interest paid on capital debt	(42,250)	(103,724)	(145,974)	-
Proceeds from tax/special assessments	-	44,180	44,180	-
Other receipts (payments)	-	500	500	22,099
Net cash provided (used) by capital and related financing activities	<u>(99,409)</u>	<u>(71,603)</u>	<u>(171,012)</u>	<u>(68,057)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>1,254</u>	<u>1,893</u>	<u>3,147</u>	<u>790</u>
Net increase (decrease) in cash and cash equivalents	14,884	20,094	34,978	(24,966)
Balances - beginning of year	<u>672,152</u>	<u>710,969</u>	<u>1,383,121</u>	<u>285,502</u>
Balances - end of year	<u>\$ 687,036</u>	<u>\$ 731,063</u>	<u>\$ 1,418,099</u>	<u>\$ 260,536</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (545)	\$ (126,821)	\$ (127,366)	\$ 20,274
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	87,922	209,695	297,617	25,694
Change in assets and liabilities				
Receivables - net	(2,242)	(5,414)	(7,656)	(3,950)
Prepaid expenses	1,847	1,784	3,631	7,813
Due from other funds	(3,436)	(7,378)	(10,814)	1,136
Inventories	(3,337)	-	(3,337)	-
Accounts and other payables	23,750	17,206	40,956	(8,659)
Due to other funds	8,603	222	8,825	-
Accrued expenses	477	510	987	(7)
Net cash provided by operating activities	<u>\$ 113,039</u>	<u>\$ 89,804</u>	<u>\$ 202,843</u>	<u>\$ 42,301</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	EMPLOYEE INSURANCE FUND	SICK PAY BENEFIT FUND	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 14,203	\$ -	\$ 25,215
Investments	27,831	53,353	
Accounts receivable - taxes	-	-	1,898
Due from other funds	2,226	-	-
Total assets	44,260	53,353	\$ 27,113
 LIABILITIES			
Accounts payable	97	-	\$ -
Accrued leave time	-	23,956	-
Due to other funds	-	-	1,113
Advances from other funds	-	-	26,000
Total liabilities	97	23,956	\$ 27,113
 NET ASSETS			
Held in trust for employee benefits	\$ 44,163	\$ 29,397	

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

VILLAGE OF MANCHESTER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	EMPLOYEE INSURANCE FUND	SICK PAY BENEFIT FUND
ADDITIONS		
Employer contributions	\$ 9,434	\$ -
Interest income	140	237
Total additions	9,574	237
DEDUCTIONS		
Benefits	5,119	1,475
Change in net assets	4,455	(1,238)
Net assets - beginning of year	39,708	30,635
Net assets - end of year	\$ 44,163	\$ 29,397

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

VILLAGE OF MANCHESTER
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JUNE 30, 2012

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VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, and organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS -

The Government-Wide Financial Statements report information on all of the nonfiduciary activities of the Village of Manchester. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 Village reports the following nonmajor funds:

- 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 focuses on net income similar to the private sector.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

Additionally, the Village reports the following fund types:

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

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations 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, 2012

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, 2012.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue in the General Fund, and Fuel Tax revenues in the Major and Local Street Funds.

G. INVENTORIES -

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

H. PREPAID EXPENSES -

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

I. CAPITAL ASSETS -

Capital assets, which include property, plant, and equipment, 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.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

I. CAPITAL ASSETS – (Continued)

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

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, 2012, the liability included \$34,446 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 assets. 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.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 items. The legal level of budgetary control adopted by the governing body is the department level.

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			
Planning commission	\$ 10,100	\$ 13,651	\$ (3,551)
 LOCAL STREET			
Bridge Maintenance	\$ -	\$ 71	\$ (71)

NOTE 3 - PROPERTY TAXES:

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

The Village's operating tax rate is currently 15.6483 mills and is distributed as follows:

General Operation	10.7944
Highways and Streets	2.2612
Parks and Recreation	0.6019
Debt Service	1.9908
Total	15.6483

The taxable value of real and personal property located in the Village was \$68,534,162.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CASH AND INVESTMENTS:

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

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

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

	Carrying Amount
Cash on hand	\$ 225
Insured (FDIC)	2,756,874
Uninsured and uncollateralized	-
	\$ 2,757,099
Reported in financial statements:	
Governmental funds	\$ 1,670,390
Proprietary funds (Business-type)	1,047,291
Fiduciary funds	39,418
	\$ 2,757,099
Component Unit: DDA	
Insured	\$ 8,177
Uninsured and uncollateralized	7,441
	\$ 15,618

The Village investments consist of certificates of deposit with a maturity of greater than 90 days. The Village has chosen to disclose its investments by specifically identifying each. As of June 30, 2012, the Village had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Certificate of Deposit - Insured	5/9/13	\$ 23,358	AAA
Certificate of Deposit - Insured	5/17/13	100,989	AAA
Certificate of Deposit - Insured	2/7/13	53,353	AAA
Certificate of Deposit - Insured	10/4/12	166,749	AAA
Certificate of Deposit - Insured	11/6/12	103,070	AAA
Certificate of Deposit - Insured	11/6/12	153,852	AAA
Certificate of Deposit - Insured	11/8/12	27,831	AAA
		\$ 629,202	

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CASH AND INVESTMENTS: (Continued)

Disclosures Relating to Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at June 30, 2012, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Trust & Agency	\$ 32
	-	Tax Collection	111
	-	Sewer	60
	-	Operational Clearing	139
	<u>342</u>		<u>342</u>
Major Street	-	General	1,845
	-	Municipal Street	25,000
	<u>26,845</u>		<u>26,845</u>
Local Street	<u>1,252</u>	General	<u>1,252</u>
Parks & Recreation	<u>276</u>	General	<u>276</u>
Subtotal	<u>28,715</u>	Subtotal	<u>28,715</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (Continued)

	RECEIVABLES		PAYABLES
Carryover	\$ 28,715	Carryover	\$ 28,715
Municipal Street	3	Tax Collection	3
Water	6,070	General	6,070
Sewer	-	General	5,556
	-	Water	11,712
	17,268		17,268
Equipment	-	General	2,596
	-	Major Street	1,562
	-	Local Street	1,950
	-	Parks	500
	-	Sewer	1,818
	-	Water	947
	-	Operational Clearing	824
	10,197		10,197
Employee Insurance	2,226	General	2,226
Total	\$ 64,479	Total	\$ 64,479

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – CAPITAL ASSETS:

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>7/1/2011</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>6/30/2012</u>
Capital assets not being depreciated				
Land	\$ 106,841	\$ 25,750	\$ -	\$ 132,591
Capital assets being depreciated				
Land improvements	211,276	46,816	-	258,092
Buildings and improvements	2,233,557	30,224	-	2,263,781
Equipment, furniture and fixtures	948,701	68,693	19,858	997,536
Infrastructure - roads	4,024,728	-	-	4,024,728
Subtotal	<u>7,418,262</u>	<u>145,733</u>	<u>19,858</u>	<u>7,544,137</u>
Less accumulated depreciation for				
Land improvements	129,448	6,325	-	135,773
Buildings and improvements	644,030	65,330	-	709,360
Equipment, furniture and fixtures	671,865	36,910	19,858	688,917
Infrastructure - roads	<u>1,821,145</u>	<u>183,080</u>	<u>-</u>	<u>2,004,225</u>
Subtotal	<u>3,266,488</u>	<u>291,645</u>	<u>19,858</u>	<u>3,538,275</u>
Net capital assets being depreciated	<u>4,151,774</u>	<u>(145,912)</u>	<u>-</u>	<u>4,005,862</u>
Capital assets - net of depreciation	<u>\$ 4,258,615</u>	<u>\$ (120,162)</u>	<u>\$ -</u>	<u>\$ 4,138,453</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – CAPITAL ASSETS: (Continued)

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

	<u>7/10/2011</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>6/30/2012</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Capital assets being depreciated				
Buildings and improvements	130,548	-	-	130,548
Equipment, furniture and fixtures	701,268	10,748	485	711,531
Distribution and collections system	7,926,839	58,970	-	7,985,809
Subtotal	<u>8,758,655</u>	<u>69,718</u>	<u>485</u>	<u>8,827,888</u>
Less accumulated depreciation for				
Buildings and improvements	22,393	10,806	-	33,199
Equipment, furniture and fixtures	291,894	48,825	485	340,234
Distribution and collection system	4,488,995	237,986	-	4,726,981
Subtotal	<u>4,803,282</u>	<u>297,617</u>	<u>485</u>	<u>5,100,414</u>
Net capital assets being depreciated	<u>3,955,373</u>	<u>(227,899)</u>	<u>-</u>	<u>3,727,474</u>
Capital assets - net of depreciation	<u>\$ 3,985,378</u>	<u>\$ (227,899)</u>	<u>\$ -</u>	<u>\$ 3,757,479</u>

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

GOVERNMENTAL ACTIVITIES	<u>\$ 291,644</u>
BUSINESS TYPE ACTIVITES	
Water	\$ 87,922
Sewer	<u>209,695</u>
Total business type activities	<u>\$ 297,617</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – EMPLOYEES' PENSION PLAN:

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

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

During the year ending June 30, 2012, the Village's required contributions amounted to \$24,531 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2012, was \$478,652 and total payroll subject to retirement benefits was \$425,335.

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

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

NOTE 8 – OTHER POST RETIREMENT BENEFITS:

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

For the year ended June 30, 2012, the Village has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2009. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities over a period not to exceed thirty years.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – OTHER POST RETIREMENT BENEFITS: (Continued)

The valuation's computed contribution is summarized as follows:

Annual required contribution (recommended)	<u><u>\$ 14,971</u></u>
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The annual required contribution was allocated with other employee benefits in the financial statements.

The Village contributed 100% of the ARC for the year ended June 30, 2012.

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

Valuation as of July 1, 2009:

Present Value of Future Benefits:	
Retirees	\$ 36,417
Active Members	<u>230,510</u>
Total Present Value of Future Benefits	<u><u>\$ 266,927</u></u>
Actuarial Accrued Liability	\$ 126,357
Actuarial Value of Assets	<u>48,867</u>
Unfunded Actuarial Accrued Liability	<u><u>\$ 77,490</u></u>

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

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

In the July 1, 2009 actuarial valuation, the actuarial assumptions include the following:

Discount Rate	5.50%
Investment Rate of Return	5.00%
Cost of Living Adjustment	3.00%

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 - CHANGES IN LONG-TERM DEBT:

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

	<u>DEBT OUT- STANDING 7/1/2011</u>	<u>ADDITIONS OF NEW DEBT</u>	<u>RETIREMENTS AND REPAYMENTS</u>	<u>DEBT OUT- STANDING 6/30/2012</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
2010 General Obligation Bonds, \$795,000 maturing serially in annual amounts ranging from \$56,458 to \$86,485 at an interest rate of 2.0% to 4.0%.	\$ 728,473	\$ -	\$ (66,528)	\$ 661,945
<u>BUSINESS-TYPE ACTIVITIES</u>				
1991 General Obligation Bonds, \$955,000 maturing serially in annual amounts ranging from \$40,000 to \$60,000 at an interest rate of 2.00%.	\$ 59,282	\$ -	\$ (59,282)	\$ -
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%.	366,527	-	(33,472)	333,055
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%	<u>290,000</u>	<u>-</u>	<u>(35,000)</u>	<u>255,000</u>
Total business type activities	<u>\$ 715,809</u>	<u>\$ -</u>	<u>\$ (127,754)</u>	<u>\$ 588,055</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2013	\$ 66,527	\$ 19,295
2014	69,854	17,964
2015	69,853	16,567
2016	73,180	14,995
2017	76,506	13,056
Thereafter	306,025	26,687
	\$ 661,945	\$ 108,564

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
2013	\$ 68,473	\$ 16,083
2014	70,146	14,539
2015	70,146	12,961
2016	71,820	11,295
2017	73,494	9,444
Thereafter	233,976	16,427
	\$ 588,055	\$ 80,749

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – RISK MANAGEMENT:

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

NOTE 11 – JOINT VENTURE:

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

NOTE 12 – INTERFUND TRANSFERS:

Fund	Transfers In	Transfers Out
Municipal Street	\$ -	\$ 93,000
Major Street	25,000	-
Local Street	68,000	-
Total	\$ 93,000	\$ 93,000

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

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes - Property taxes	\$ 800,300	\$ 800,300	\$ 802,700	\$ 2,400
Franchise fees	23,000	23,000	23,554	554
Licenses and permits	950	1,650	1,835	185
Fees and fines	6,400	6,400	7,011	611
Intergovernmental				
Sales tax	163,200	171,400	171,495	95
State liquor control	2,000	2,000	1,674	(326)
State Metro Act	6,800	6,800	7,571	771
Total	<u>172,000</u>	<u>180,200</u>	<u>180,740</u>	<u>540</u>
Charges for services				
Reimbursed services	2,100	2,350	9,502	7,152
Garbage pickup	71,800	88,200	88,366	166
Total	<u>73,900</u>	<u>90,550</u>	<u>97,868</u>	<u>7,318</u>
Rental income	87,300	90,200	90,272	72
Interest income	6,150	5,450	4,043	(1,407)
Other revenues	100	3,700	4,276	576
Total Revenues	<u>\$ 1,170,100</u>	<u>\$ 1,201,450</u>	<u>\$ 1,212,299</u>	<u>\$ 10,849</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
LEGISLATIVE:				
VILLAGE COUNCIL:				
Salaries and wages	\$ -	\$ -	\$ 32,727	\$ -
Payroll taxes	-	-	2,474	-
Employee benefits	-	-	8,127	-
Printing	-	-	446	-
Memberships	-	-	1,993	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total legislative	50,900	50,900	48,767	2,133
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	90,429	-
Payroll taxes	-	-	6,820	-
Employee benefits	-	-	24,958	-
Operating supplies	-	-	3,527	-
Training, education and seminars	-	-	125	-
Postage	-	-	4,160	-
Telephone	-	-	4,159	-
Memberships	-	-	171	-
Purchased services - legal	-	-	5,154	-
Purchased services - audit	-	-	4,700	-
Purchased services - other	-	-	5,557	-
Garbage services	-	-	74,932	-
Printing	-	-	1,414	-
Insurance	-	-	14,593	-
Travel	-	-	1,759	-
Repairs and maintenance	-	-	3,005	-
Tax refunds	-	-	5,896	-
Elections	-	-	745	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	256,750	259,250	252,104	7,146

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
BUILDING AND GROUNDS:				
Salaries and wages	-	-	9,696	-
Payroll taxes	-	-	721	-
Employee benefits	-	-	2,249	-
Operating supplies	-	-	7,181	-
Public utilities	-	-	47,277	-
Insurance	-	-	10,828	-
Repairs and maintenance	-	-	7,170	-
Purchased services - cleaning	-	-	22,798	-
Purchased services - other	-	-	4,542	-
Capital outlay	-	-	68,540	-
Allocation of equipment costs	-	-	11,298	-
Total	<u>899,985</u>	<u>696,405</u>	<u>192,300</u>	<u>504,105</u>
Total general government	<u>1,156,735</u>	<u>955,655</u>	<u>444,404</u>	<u>511,251</u>
PUBLIC WORKS:				
DEPARTMENT OF PUBLIC WORKS:				
Salaries and wages	-	-	14	-
Payroll taxes	-	-	1	-
Employee benefits	-	-	6	-
Operating supplies	-	-	1,862	-
Uniforms	-	-	1,203	-
Purchased services - other	-	-	1,711	-
Telephone	-	-	1,868	-
Memberships	-	-	145	-
Total	<u>6,450</u>	<u>7,850</u>	<u>6,810</u>	<u>1,040</u>
TREE REMOVAL AND REPLACEMENT:				
Salaries and wages	-	-	3,663	-
Payroll taxes	-	-	275	-
Employee benefits	-	-	1,297	-
Purchased services - other	-	-	9,145	-
Allocation of equipment costs	-	-	5,152	-
Total	<u>10,095</u>	<u>19,595</u>	<u>19,532</u>	<u>63</u>
SIDEWALK CONSTRUCTION:				
Salaries and wages	-	-	19	-
Payroll taxes	-	-	1	-
Employee benefits	-	-	8	-
Allocation of equipment costs	-	-	170	-
Total	<u>985</u>	<u>985</u>	<u>198</u>	<u>787</u>
LIGHTING:				
Street lighting	<u>73,100</u>	<u>73,100</u>	<u>69,899</u>	<u>3,201</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
PUBLIC WORKS: (Continued)				
RECYCLING:				
Salaries and wages	-	-	10,112	-
Payroll taxes	-	-	765	-
Employee benefits	-	-	2,806	-
Operating supplies	-	-	108	-
Allocation of equipment costs	-	-	12,178	-
Total	<u>26,925</u>	<u>28,925</u>	<u>25,969</u>	<u>2,956</u>
 Total public works	<u>117,555</u>	<u>130,455</u>	<u>122,408</u>	<u>8,047</u>
 PUBLIC SAFETY:				
POLICE ADMINISTRATION:				
Purchased services - Police	-	-	470,859	-
Purchased services - Legal	-	-	2,010	-
Total	<u>479,850</u>	<u>473,850</u>	<u>472,869</u>	<u>981</u>
 PLANNING COMMISSION:				
Salaries and wages	-	-	1,921	-
Payroll taxes	-	-	147	-
Employee benefits	-	-	45	-
Purchased services - planning	-	-	10,522	-
Purchased services - other	-	-	108	-
Printing	-	-	203	-
Memberships	-	-	705	-
Total	<u>10,100</u>	<u>10,100</u>	<u>13,651</u>	<u>(3,551)</u>
 Total public safety	<u>489,950</u>	<u>483,950</u>	<u>486,520</u>	<u>(2,570)</u>
 DEBT SERVICE:				
MUNICIPAL BOND EXPENDITURES:				
Bond principal payments	-	-	66,527	-
Interest	-	-	20,404	-
Tax refunds	-	-	832	-
Total debt service	<u>87,300</u>	<u>88,300</u>	<u>87,763</u>	<u>537</u>
 Total expenditures	<u>1,902,440</u>	<u>1,709,260</u>	<u>1,189,862</u>	<u>519,398</u>
 Net change in fund balances	(732,340)	(507,810)	22,437	530,247
 Fund balance, beginning of year	<u>1,156,341</u>	<u>1,156,341</u>	<u>1,156,341</u>	<u>-</u>
 Fund balance, end of year	<u>\$ 424,001</u>	<u>\$ 648,531</u>	<u>\$ 1,178,778</u>	<u>\$ 530,247</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, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 93,000	\$ 108,000	\$ 112,185	\$ 4,185
Interest income	50	50	106	56
Other revenues	-	-	681	681
Total revenues	<u>93,050</u>	<u>108,050</u>	<u>112,972</u>	<u>4,922</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	21,100	-
Payroll taxes	-	-	1,579	-
Employee benefits	-	-	7,750	-
Repairs and maintenance	-	-	494	-
Insurance	-	-	1,852	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	400	-
Total General Government	<u>34,750</u>	<u>34,750</u>	<u>33,275</u>	<u>1,475</u>
PUBLIC WORKS:				
STREET MAINTENANCE:				
Salaries and wages	-	-	22,617	-
Payroll taxes	-	-	1,692	-
Employee benefits	-	-	8,267	-
Operating supplies	-	-	1,610	-
Purchased services - other	-	-	275	-
Street patching	-	-	10,656	-
Crack sealing	-	-	2,815	-
Allocation of equipment costs	-	-	15,227	-
Total	<u>60,615</u>	<u>66,415</u>	<u>63,159</u>	<u>3,256</u>
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	10	-
Payroll taxes	-	-	1	-
Employee benefits	-	-	4	-
Purchased services - engineering	-	-	1,843	-
Total	<u>-</u>	<u>2,000</u>	<u>1,858</u>	<u>142</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	1,313	-
Payroll taxes	-	-	99	-
Employee benefits	-	-	500	-
Operating supplies	-	-	7,165	-
Purchased services - other	-	-	161	-
Allocation of equipment costs	-	-	1,971	-
Total	<u>27,000</u>	<u>11,600</u>	<u>11,209</u>	<u>391</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, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES (Continued):				
PUBLIC WORKS: (Continued)				
TRAFFIC SERVICES:				
Salaries and wages	-	-	1,318	-
Payroll taxes	-	-	99	-
Employee benefits	-	-	523	-
Operating supplies	-	-	884	-
Allocation of equipment costs	-	-	313	-
Total	<u>6,695</u>	<u>5,695</u>	<u>3,137</u>	<u>2,558</u>
Total public works	<u>94,310</u>	<u>85,710</u>	<u>79,363</u>	<u>6,347</u>
Total expenditures	<u>129,060</u>	<u>120,460</u>	<u>112,638</u>	<u>7,822</u>
Excess of revenues over expenditures before other financing sources (uses)	(36,010)	(12,410)	334	12,744
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>36,010</u>	<u>12,410</u>	<u>25,000</u>	<u>12,590</u>
NET CHANGE IN FUND BALANCE	-	-	25,334	25,334
FUND BALANCE, BEGINNING OF YEAR	<u>65,900</u>	<u>65,900</u>	<u>65,900</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 65,900</u>	<u>\$ 65,900</u>	<u>\$ 91,234</u>	<u>\$ 25,334</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, 2012

	<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:				
Motor Vehicle Highway Fund payments	\$ 38,000	\$ 42,000	\$ 45,253	\$ 3,253
Interest income	100	100	19	(81)
Other revenues	-	-	681	681
Total revenues	<u>38,100</u>	<u>42,100</u>	<u>45,953</u>	<u>3,853</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	8,045	-
Payroll taxes	-	-	611	-
Employee benefits	-	-	2,978	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	500	-
Insurance	-	-	3,335	-
Repairs and maintenance	-	-	494	-
Total General Government	<u>17,350</u>	<u>17,350</u>	<u>16,063</u>	<u>1,287</u>
PUBLIC WORKS:				
STREET MAINTENANCE:				
Salaries and wages	-	-	21,534	-
Payroll taxes	-	-	1,602	-
Employee benefits	-	-	7,850	-
Operating supplies	-	-	2,320	-
Purchased services - other	-	-	1,116	-
Street patching	-	-	21,636	-
Crack sealing	-	-	11,012	-
Allocation of equipment costs	-	-	15,297	-
Total	<u>73,925</u>	<u>84,875</u>	<u>82,367</u>	<u>2,508</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	1,342	-
Payroll taxes	-	-	101	-
Employee benefits	-	-	536	-
Operating supplies	-	-	7,165	-
Purchased services - other	-	-	161	-
Allocation of equipment costs	-	-	2,380	-
Total	<u>25,925</u>	<u>12,075</u>	<u>11,685</u>	<u>390</u>
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	39	-
Payroll taxes	-	-	3	-
Employee benefits	-	-	16	-
Allocation of equipment costs	-	-	13	-
Total	<u>-</u>	<u>-</u>	<u>71</u>	<u>(71)</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, 2012

	<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	-	-	454	-
Payroll taxes	-	-	34	-
Employee benefits	-	-	179	-
Operating supplies	-	-	972	-
Allocation of equipment costs	-	-	519	-
Total	<u>6,450</u>	<u>3,450</u>	<u>2,158</u>	<u>1,292</u>
Total public works	<u>106,300</u>	<u>100,400</u>	<u>96,281</u>	<u>4,119</u>
Total expenditures	<u>123,650</u>	<u>117,750</u>	<u>112,344</u>	<u>5,406</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(85,550)</u>	<u>(75,650)</u>	<u>(66,391)</u>	<u>9,259</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>85,550</u>	<u>75,650</u>	<u>68,000</u>	<u>(7,650)</u>
NET CHANGE IN FUND BALANCE	-	-	1,609	1,609
FUND BALANCE, BEGINNING OF YEAR	<u>11,536</u>	<u>11,536</u>	<u>11,536</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,536</u>	<u>\$ 11,536</u>	<u>\$ 13,145</u>	<u>\$ 1,609</u>

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

VILLAGE OF MANCHESTER
ADDITIONAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

VILLAGE OF MANCHESTER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	SPECIAL REVENUE FUNDS		
	MUNICIPAL STREET	PARKS AND RECREATION	TOTAL
ASSETS			
Cash and cash equivalents	\$ 294,143	\$ 83,340	\$ 377,483
Accounts receivable - taxes	171	45	216
Prepaid expenses	-	-	-
Due from other funds	3	276	279
	<u>\$ 294,317</u>	<u>\$ 83,661</u>	<u>\$ 377,978</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ -	\$ 506	\$ 506
Accrued payroll	-	272	272
Due to other funds	25,000	500	25,500
Total liabilities	<u>25,000</u>	<u>1,278</u>	<u>26,278</u>
 FUND BALANCE:			
Restricted for:			
Highways and streets	269,317	-	269,317
Recreational and cultural	-	82,383	82,383
Total fund balance	<u>269,317</u>	<u>82,383</u>	<u>351,700</u>
 Total liabilities and fund balance	<u>\$ 294,317</u>	<u>\$ 83,661</u>	<u>\$ 377,978</u>

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

VILLAGE OF MANCHESTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS		
	MUNICIPAL STREET	PARKS AND RECREATION	TOTAL
REVENUES:			
Taxes and penalties	\$ 149,760	\$ 39,864	\$ 189,624
Interest income	629	129	758
Contributions	-	843	843
Other revenue	-	200	200
Total revenues	150,389	41,036	191,425
EXPENDITURES:			
Salaries and wages	-	12,678	12,678
Payroll taxes	-	969	969
Employee benefits	-	2,540	2,540
Operating supplies	-	3,490	3,490
Purchased services - other	-	5,874	5,874
Purchased services - audit	-	400	400
Repairs and maintenance	-	3,223	3,223
Public utilities	-	1,723	1,723
Insurance	-	1,752	1,752
Allocation of equipment costs	-	6,000	6,000
Tax refunds	978	367	1,345
Other	-	39	39
Capital outlay	-	12,787	12,787
Total expenditures	978	51,842	52,820
Excess of revenues over expenditures before other financing sources (uses)	149,411	(10,806)	138,605
OTHER FINANCING SOURCES (USES):			
Operating transfers (out)	(93,000)	-	(93,000)
NET CHANGE IN FUND BALANCES	56,411	(10,806)	45,605
FUND BALANCE - Beginning of year	212,906	93,189	306,095
FUND BALANCE - End of year	\$ 269,317	\$ 82,383	\$ 351,700

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

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2012

	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>AMOUNT OF ANNUAL MATURITY</u>	<u>AMOUNT OUTSTANDING</u>		<u>IF HELD TO MATURITY</u>
						<u>6/30/2012</u>	<u>6/30/2013</u>	
<u>BUSINESS TYPE ACTIVITIES</u>								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Sewer - Series 2010	6/22/2010	\$ 400,000	2.00%	5/1/2013	\$ 33,473	\$ 33,473	\$ -	\$ 9,708
			2.00%	5/1/2014	35,146	35,146	35,146	9,039
			2.25%	5/1/2015	35,146	35,146	35,146	8,336
			2.65%	5/1/2016	36,820	36,820	36,820	7,545
			3.00%	5/1/2017	38,494	38,494	38,494	6,569
			3.15%	5/1/2018	40,167	40,167	40,167	5,414
			3.40%	5/1/2019	41,841	41,841	41,841	4,149
			3.65%	5/1/2020	43,515	43,515	43,515	2,726
			4.00%	5/1/2021	28,453	28,453	28,453	1,138
Total Unlimited Tax General Obligation Bonds						<u>\$ 333,055</u>	<u>\$ 299,582</u>	<u>\$ 54,624</u>
<u>MICHIGAN MUNICIPAL BOND AUTHORITY</u>								
Michigan Drinking Water Revolving Fund	9/29/1998	\$ 620,000	2.50%	4/1/2013	\$ 35,000	\$ 35,000	\$ -	\$ 6,375
			2.50%	4/1/2014	35,000	35,000	35,000	5,500
			2.50%	4/1/2015	35,000	35,000	35,000	4,625
			2.50%	4/1/2016	35,000	35,000	35,000	3,750
			2.50%	4/1/2017	35,000	35,000	35,000	2,875
			2.50%	4/1/2018	40,000	40,000	40,000	2,000
			2.50%	4/1/2019	40,000	40,000	40,000	1,000
Total Michigan Drinking Water Revolving Fund Program						<u>\$ 255,000</u>	<u>\$ 220,000</u>	<u>\$ 26,125</u>
Total Water and Sewer Enterprise Funds						<u>\$ 588,055</u>	<u>\$ 519,582</u>	<u>\$ 80,749</u>
<u>GOVERNMENTAL ACTIVITIES</u>								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Sewer - Series 2010	6/22/2010	\$ 795,000	2.00%	5/1/2013	\$ 66,527	\$ 66,527	\$ -	\$ 19,295
			2.00%	5/1/2014	69,854	69,854	69,854	17,964
			2.25%	5/1/2015	69,854	69,854	69,854	16,567
			2.65%	5/1/2016	73,180	73,180	73,180	14,995
			3.00%	5/1/2017	76,506	76,506	76,506	13,056
			3.15%	5/1/2018	79,833	79,833	79,833	10,761
			3.40%	5/1/2019	83,159	83,159	83,159	8,246
			3.65%	5/1/2020	86,485	86,485	86,485	5,419
			4.00%	5/1/2021	56,548	56,548	56,548	2,261
Total General Government Activity						<u>\$ 661,945</u>	<u>\$ 595,418</u>	<u>\$ 108,564</u>

MARKOWSKI & COMPANY

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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION OF AUDITOR/VILLAGE RESPONSIBILITY

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester for the year ended June 30, 2012, and have issued our report thereon dated October 23, 2012. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated September 25, 2012, 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 2012. We noted no transactions entered into by the Village of Manchester during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2012.

Village Council
Village of Manchester
Page Three

Management Consultations with Other Independent Accountants

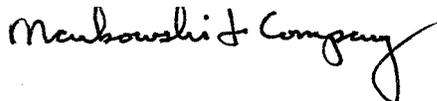
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Village of Manchester’s financial statements or a determination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

Other Audit Findings or Issues

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

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

Very truly yours,



MARKOWSKI & COMPANY CPAs
October 23, 2012

MARKOWSKI & COMPANY

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MEMBERS:
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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Manchester Village Council

Manchester, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Manchester's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Manchester's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Manchester's internal control.

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

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

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

Segregation of Duties

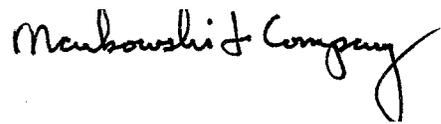
Because of the limited size of the Village of Manchester's accounting staff, proper segregation of controls cannot be accomplished. This is an inherent weakness in the internal controls of the Village. The Village management needs to continue to exercise appropriate management oversight to help compensate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

Village of Manchester

Manchester, Michigan

Page 2

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

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

Markowski & Company, CPAs

October 23, 2012

VILLAGE OF MANCHESTER
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

Budgeting Procedures

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