

**VILLAGE OF MANCHESTER**  
**WASHTENAW COUNTY, MICHIGAN**  
AUDITED FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDING JUNE 30, 2011

**VILLAGE OF MANCHESTER**  
**FINANCIAL STATEMENTS**  
JUNE 30, 2011

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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, 2011, 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.

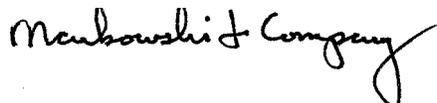
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, 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, 2011, 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 inquires 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 10, 2011

## 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, 2011. 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 \$10,113,304. Of this amount, \$2,829,158 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$6,799,711 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 \$484,435 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 \$115,080 (1%) in 2011. Governmental activities net assets decreased \$48,606 and Business-Type activities decreased \$66,474 respectively.

In a condensed format, the following table shows net assets as of June 30, 2011 and 2010:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 1,959,193	\$ 1,904,615	\$ 1,499,045	\$ 1,472,586	\$ 3,458,238	\$ 3,377,201
Noncurrent Assets	4,258,615	4,462,130	4,006,268	4,296,757	8,264,883	8,758,887
<b>Total Assets</b>	<b>6,217,808</b>	<b>6,366,745</b>	<b>5,505,313</b>	<b>5,769,343</b>	<b>11,723,121</b>	<b>12,136,088</b>
Current Liabilities	215,407	249,211	144,410	214,211	359,817	463,422
Long-Term Debt	661,946	728,473	588,054	715,809	1,250,000	1,444,282
<b>Total Liabilities</b>	<b>877,353</b>	<b>977,684</b>	<b>732,464</b>	<b>930,020</b>	<b>1,609,817</b>	<b>1,907,704</b>
<b>Net Assets</b>						
Invested in Capital Assets - Net of Related Debt	3,530,142	3,667,130	3,269,569	3,362,602	6,799,711	7,029,732
Restricted For:						
Highways and Streets	290,342	280,725	-	-	290,342	280,725
Debt Service	11,378	10,018	66,257	278,287	77,635	288,305
Recreational and Cultural	91,556	91,861	-	-	91,556	91,861
Capital improvements	24,902	23,087	-	-	24,902	23,087
Unrestricted	1,392,135	1,316,240	1,437,023	1,198,434	2,829,158	2,514,674
<b>Total Net Assets</b>	<b>\$ 5,340,455</b>	<b>\$ 5,389,061</b>	<b>\$ 4,772,849</b>	<b>\$ 4,839,323</b>	<b>\$ 10,113,304</b>	<b>\$ 10,228,384</b>

## Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net assets as of June 30, 2011 and 2010:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for Services	\$ 204,870	\$ 199,786	\$ 692,325	\$ 672,722	\$ 897,195	\$ 872,508
Operating grants and Contributions	308,421	314,207	-	-	308,421	314,207
Capital grants and Contributions	86,500	108,989	63,591	188,501	150,091	297,490
General Revenues						
Property Taxes	742,383	640,255	-	-	742,383	640,255
State-Shared Revenues	178,317	178,780	-	-	178,317	178,780
Interest Income	8,779	15,318	8,323	18,606	17,102	33,924
Franchise Fees	23,730	22,998	-	-	23,730	22,998
Other Income	6,887	10,264	-	1,710	6,887	11,974
<b>Total Revenues</b>	<b>1,559,887</b>	<b>1,490,597</b>	<b>764,239</b>	<b>881,539</b>	<b>2,324,126</b>	<b>2,372,136</b>
Program Expenses						
Legislative	73,085	62,164	-	-	73,085	62,164
General Government	355,325	413,446	-	-	355,325	413,446
Public Safety	473,821	458,741	-	-	473,821	458,741
Public Works	344,971	342,084	-	-	344,971	342,084
Recreational and Cultural	44,169	45,064	-	-	44,169	45,064
Interest on Long-Term Debt	20,745	54,880	-	-	20,745	54,880
Depreciation	296,377	309,952	-	-	296,377	309,952
Water and Sewer	-	-	830,713	922,668	830,713	922,668
<b>Total Expenses</b>	<b>1,608,493</b>	<b>1,686,331</b>	<b>830,713</b>	<b>922,668</b>	<b>2,439,206</b>	<b>2,608,999</b>
<b>Change in Net Assets</b>	<b>\$ (48,606)</b>	<b>\$ (195,734)</b>	<b>\$ (66,474)</b>	<b>\$ (41,129)</b>	<b>\$ (115,080)</b>	<b>\$ (236,863)</b>

### **Government Activities**

The Village's total governmental revenues increased by \$69,290 primarily due to property tax millage's being re-allocated between funds.

Property tax revenues increased, however the increase was due to refinancing bonds in the prior year and shifting millage rates from the business type activities to governmental activities. The taxable value of the Village decreased overall by 5.8%.

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

The Village cost cutting measures led to a 5% decrease in total expenses.

## **Management's Discussion and Analysis**

### **Business Type Activities**

The Village's business-type activities consist of its Water and Sewer funds. During 2011, net assets decreased by \$66,474. Operating revenues increased slightly (3%) as water and sewer rates were increased. Other revenues decreased as a bond was paid off and tax collections decreased as the revenue was shifted to the general fund for operations. Operating expenses decreased 10% as the Village continues to find ways to cut operating expenses.

### **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 \$56,547. This increase was due to millage rate restructuring and increasing revenues available for general operations.

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

The Water and Sewer Funds are used to account for business-like activities provided to the Village's residents. The Village charges for water and sewer service and other related goods and services. Net Assets decreased by \$66,474 as previously discussed. Revenues have stabilized and operating expenditures decreased by 10% as costs of operations decreased. Depreciation expense in the enterprise funds totaled \$297,227.

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 \$104,800 to maintain these funds.

### **General Fund Budgetary Highlights**

The original budget adopted for the Village's General Fund projected an \$18,485 increase in fund balance. As the year progressed, and actual events took place an amended budget was adopted to reflect the changing financial picture. Village council approved amendments to purchase the property on Ann Arbor Street and to participate with the DDA in the cost of plans for the streetscape enhancements to be completed in conjunction with the State's M-52 project.

The final General Fund amended budget projected a \$38,835 increase in fund balance as changes were made as needed. Actual fund balance increased by \$56,547 which exceeded budget expectations.

The administration continues to anticipate a difficult economy with reductions in taxable values and state shared revenues as the state continues to work through a difficult economy. Council will meet 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 cost where necessary in order to maintain financial stability. Cost reductions in fringe benefits as well as a new natural gas pricing contract and efficiencies in equipment usage aided in the addition to fund balances.

## 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 maintaining and meeting all of its debt obligations. Large projects undertaken and completed included the purchase of the river-front property on Ann Arbor Street. The barn and house structure will have the asbestos removed and be demolished in the coming months. This property will serve the Village's future needs for enhanced downtown areas. The Village also used savings in the Equipment Fund for the scheduled purchase of a pick-up with a snow plow. In anticipation of major repairs to the Main Street Bridge, an engineering study was completed and a grant application made to the State Local Bridge Fund. The Village also participated with the Manchester Men's Club in maintaining the Carr Park fencing.

A summary of capital assets follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 188,669	\$ 30,005	\$ 218,674
Buildings and improvements	1,589,527	108,155	1,697,682
Equipment, furniture and fixtures	276,836	409,374	686,210
Infrastructure	2,203,583	-	2,203,583
Distribution and collection system	-	3,437,844	3,437,844
Total	<u>\$ 4,258,615</u>	<u>\$ 3,985,378</u>	<u>\$ 8,243,993</u>

At the end of the year the Village had total debt outstanding of \$1,444,282.

### Economic Factors and Next Year's Budgets and Rates

The Village of Manchester is continuing to monitor state and local economies to determine the direction of our fiscal decisions. We feel that property taxes will continue to decline in the upcoming fiscal year, especially in the housing segment. With this in mind we are budgeting accordingly and will continue to spend conservatively while looking to work with economic programs to enhance the community. For 2011/2012 we are proposing to meet the Headlee cap. The village has put this strategy off but in next year we will need to offset the five year loss of 18% taxable value and continuing loss of State Share Revenue. The majority of the increase will be allocated to the street funds to help offset the engineering costs for the Main Street Bridge project. This increase in millage is small enough that when combined with the reduction in taxable values, most residents will still see a reduced tax bill.

Our future outlook remains stable. Governor Snyder is proposing sweeping changes to the way public entities do business. We will remain in contact with our legislators to monitor and influence these changes in order to protect our residents, taxpayers and employees. We will continue to review operations, project future taxable values and budget according to our projections while continuing to challenge the ways we operate.

Water and sewer funds and infrastructures remain stable. No increases in the rates are planned for the fiscal year ending in 2012. The modest increases implemented last year will allow us to continue to fund our capital outlay program and maintain healthy reserves.

## Management's Discussion and Analysis

### **Economic Factors and Next Year's Budgets and Rates (Continued)**

A Michigan Department of Transportation and Transportation Enhancement project is scheduled for the year 2012. This project will reconstruct M-52 through the Village limits and adds enhancements in the commercial area. Bid letting is complete and construction will start in 2012. In conjunction with the M-52 road project, almost 2 miles of water main will be replaced along with minor improvements to some sewer lines.

The Village government continues to monitor the current state of the economy in Washtenaw County. The police Steering Committee (Manchester's council president, Pat Vaillencourt, is a member) helped to shape a contract model that drew a baseline price and will hopefully stabilize the cost of contracting with Washtenaw County for police services. It is still the highest cost service that the village provides and will continue to be reviewed. We will budget according to the trend of housing value reductions and project these changes over the next few years and budget accordingly. We will remain flexible to be able to react to current circumstances while still planning for the future. The Village of Manchester is committed to the community and its residents by containing costs and maintaining services.

### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Additionally, a Citizen's Guide to Village Finances and Dashboard are available on the Village website, [www.vil-manchester.org](http://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, 2011

**VILLAGE OF MANCHESTER**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNIT</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,405,860	\$ 1,088,473	\$ 2,494,333	\$ 8,875
Investments	393,342	294,648	687,990	-
Accounts receivable:				
Taxes	2,511	162	2,673	-
Customers	13,767	78,144	91,911	-
Other	32,481	5	32,486	-
Prepaid expenses	38,052	3,631	41,683	-
Due from other governments	80,047	-	80,047	5,000
Internal balances	(6,867)	6,867	-	-
Inventory	-	27,115	27,115	-
Total current assets	<u>1,959,193</u>	<u>1,499,045</u>	<u>3,458,238</u>	<u>13,875</u>
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Land and land improvements	318,117	30,005	348,122	-
Buildings and improvements	2,233,557	130,548	2,364,105	-
Equipment, furniture and fixtures	948,701	701,268	1,649,969	-
Infrastructure - roads	4,024,728	-	4,024,728	-
Distribution and collection system	-	7,926,839	7,926,839	-
Less - Accumulated depreciation	(3,266,488)	(4,803,282)	(8,069,770)	-
Net property and equipment	<u>4,258,615</u>	<u>3,985,378</u>	<u>8,243,993</u>	<u>-</u>
Prepaid planning expenses	-	-	-	30,000
Deferred charges	-	20,890	20,890	-
Total noncurrent assets	<u>4,258,615</u>	<u>4,006,268</u>	<u>8,264,883</u>	<u>30,000</u>
Total assets	<u>6,217,808</u>	<u>5,505,313</u>	<u>11,723,121</u>	<u>43,875</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	97,779	9,356	107,135	-
Accrued interest payable	3,438	3,839	7,277	-
Accrued payroll	3,045	3,460	6,505	-
Accrued leave payable	29,871	-	29,871	-
Deposits	14,747	-	14,747	-
Bonds, notes, and loans payable	66,527	127,755	194,282	-
Total current liabilities	<u>215,407</u>	<u>144,410</u>	<u>359,817</u>	<u>-</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds, notes, and loans payable	661,946	588,054	1,250,000	-
Total liabilities	<u>877,353</u>	<u>732,464</u>	<u>1,609,817</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	3,530,142	3,269,569	6,799,711	-
Restricted for:				
Highways and streets	290,342	-	290,342	-
Debt service	11,378	66,257	77,635	-
Recreational and cultural	91,556	-	91,556	-
Capital improvements	24,902	-	24,902	30,000
Unrestricted	1,392,135	1,437,023	2,829,158	13,875
Total net assets	<u>\$ 5,340,455</u>	<u>\$ 4,772,849</u>	<u>\$ 10,113,304</u>	<u>\$ 43,875</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, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental activities				
Legislative	\$ 73,085	\$ -	\$ -	\$ -
General government	355,325	170,637	-	86,500
Public safety	473,821	5,771	-	-
Public works	344,971	28,462	266,151	-
Recreational and cultural	44,169	-	42,270	-
Interest on long-term debt	20,745	-	-	-
Depreciation	296,377	-	-	-
<b>Total governmental activities</b>	<b>1,608,493</b>	<b>204,870</b>	<b>308,421</b>	<b>86,500</b>
Business-type activities				
Water and sewer	830,713	692,325	-	63,591
<b>Total primary government</b>	<b>\$ 2,439,206</b>	<b>\$ 897,195</b>	<b>\$ 308,421</b>	<b>\$ 150,091</b>
Component Unit:				
Downtown Development Authority	\$ 670	\$ -	\$ 19,500	\$ -
General revenues				
Property taxes				
State-shared revenues				
Interest income				
Franchise fees				
Other income				
Total general revenues				
<b>Change in net assets</b>				
<b>Net assets - Beginning</b>				
<b>Net assets - Ending</b>				

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

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (73,085)	\$ -	\$ (73,085)	\$ -
(98,188)	-	(98,188)	-
(468,050)	-	(468,050)	-
(50,358)	-	(50,358)	-
(1,899)	-	(1,899)	-
(20,745)	-	(20,745)	-
(296,377)	-	(296,377)	-
(1,008,702)	-	(1,008,702)	-
-	(74,797)	(74,797)	-
(1,008,702)	(74,797)	(1,083,499)	-
-	-	-	18,830
742,383	-	742,383	-
178,317	-	178,317	-
8,779	8,323	17,102	20
23,730	-	23,730	-
6,887	-	6,887	-
960,096	8,323	968,419	20
(48,606)	(66,474)	(115,080)	18,850
5,389,061	4,839,323	10,228,384	25,025
<u>\$ 5,340,455</u>	<u>\$ 4,772,849</u>	<u>\$ 10,113,304</u>	<u>\$ 43,875</u>

**VILLAGE OF MANCHESTER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<b>GENERAL</b>	<b>MAJOR STREET</b>	<b>LOCAL STREET</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 765,685	\$ 22,615	\$ 2,130	\$ 329,928	\$ 1,120,358
Investments	393,342	-	-	-	393,342
Accounts receivable:					
Taxes	2,113	-	-	398	2,511
Customers	13,434	-	-	-	13,434
Other	6,180	-	-	-	6,180
Prepaid expenses	23,300	1,852	3,335	1,752	30,239
Due from other funds	300	27,043	1,635	406	29,384
Due from other governments	55,429	17,491	7,127	-	80,047
Advances to other funds	26,000	-	-	-	26,000
	<u>\$ 1,285,783</u>	<u>\$ 69,001</u>	<u>\$ 14,227</u>	<u>\$ 332,484</u>	<u>\$ 1,701,495</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 87,779	\$ 64	\$ -	\$ 376	\$ 88,219
Accrued interest payable	3,438	-	-	-	3,438
Accrued payroll	1,400	643	563	330	2,936
Due to other funds	17,078	2,394	2,128	25,683	47,283
Due to other governments	5,000	-	-	-	5,000
Deposits	14,747	-	-	-	14,747
Total liabilities	<u>129,442</u>	<u>3,101</u>	<u>2,691</u>	<u>26,389</u>	<u>161,623</u>
<b>FUND BALANCES</b>					
Restricted for:					
Highways and streets	-	65,900	11,536	212,906	290,342
Debt service	11,378	-	-	-	11,378
Recreational and cultural	-	-	-	91,556	91,556
Capital improvements	23,269	-	-	1,633	24,902
Assigned for capital improvements	355,665	-	-	-	355,665
Unassigned	766,029	-	-	-	766,029
Total fund balances	<u>1,156,341</u>	<u>65,900</u>	<u>11,536</u>	<u>306,095</u>	<u>1,539,872</u>
	<u>\$ 1,285,783</u>	<u>\$ 69,001</u>	<u>\$ 14,227</u>	<u>\$ 332,484</u>	<u>\$ 1,701,495</u>
Total liabilities and fund equity	<u>\$ 1,285,783</u>	<u>\$ 69,001</u>	<u>\$ 14,227</u>	<u>\$ 332,484</u>	<u>\$ 1,701,495</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, 2011**

Total fund balance - total governmental funds	\$ 1,539,872
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).	4,258,615
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.	300,312
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(728,473)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(29,871)</u>
Net assets of governmental activities	<u><u>\$ 5,340,455</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, 2011**

	<b>GENERAL FUND</b>	<b>MAJOR STREET</b>	<b>LOCAL STREET</b>	<b>OTHER GOVERNMENT FUNDS</b>	<b>TOTAL</b>
<b>REVENUES:</b>					
Taxes and penalties	\$ 828,883	\$ -	\$ -	\$ 155,843	\$ 984,726
Franchise fee	23,730	-	-	-	23,730
Licenses and permits	1,935	-	-	-	1,935
Fees and fines	5,771	-	-	-	5,771
Intergovernmental - State	178,317	108,406	44,172	-	330,895
Charges for services	81,053	-	-	-	81,053
Rental income	87,649	-	-	-	87,649
Interest income	6,643	69	376	884	7,972
Other revenues	1,810	-	-	1,826	3,636
Total revenues	<u>1,215,791</u>	<u>108,475</u>	<u>44,548</u>	<u>158,553</u>	<u>1,527,367</u>
<b>EXPENDITURES:</b>					
Current:					
Legislative	73,085	-	-	-	73,085
General government	410,655	-	-	-	410,655
Public safety	473,821	-	-	-	473,821
Public works	114,411	130,333	113,971	1,301	360,016
Recreational & cultural	-	-	-	45,044	45,044
Debt service	87,272	-	-	-	87,272
Total expenditures	<u>1,159,244</u>	<u>130,333</u>	<u>113,971</u>	<u>46,345</u>	<u>1,449,893</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>56,547</u>	<u>(21,858)</u>	<u>(69,423)</u>	<u>112,208</u>	<u>77,474</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	49,800	55,000	-	104,800
Operating transfers (out)	-	-	-	(104,800)	(104,800)
Total other financing sources (uses)	<u>-</u>	<u>49,800</u>	<u>55,000</u>	<u>(104,800)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>56,547</u>	<u>27,942</u>	<u>(14,423)</u>	<u>7,408</u>	<u>77,474</u>
<b>FUND BALANCE - Beginning of year</b>	<u>1,099,794</u>	<u>37,958</u>	<u>25,959</u>	<u>298,687</u>	<u>1,462,398</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 1,156,341</u>	<u>\$ 65,900</u>	<u>\$ 11,536</u>	<u>\$ 306,095</u>	<u>\$ 1,539,872</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, 2011**

Net change in fund balances - total governmental funds	\$ 77,474
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.	51,913
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.	(296,377)
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.	50,014
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	1,843
The payments of long term debt consumes the current financial resources of governmental funds.	66,527
Change in net assets of governmental activities	<u>\$ (48,606)</u>

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

**VILLAGE OF MANCHESTER**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

<b>ASSETS</b>	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL SERVICE FUND</b>
	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>	<b>FUND</b>
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 571,416	\$ 517,057	\$ 1,088,473	\$ 285,502
Investments	100,736	193,912	294,648	-
Accounts receivable:				
Taxes	-	162	162	-
Customers	28,267	49,877	78,144	333
Prepaid expenses	1,847	1,784	3,631	7,813
Due from other funds	2,634	9,890	12,524	11,333
Inventory	27,115	-	27,115	-
Special assessment receivable - current	-	-	-	-
Total current assets	732,015	772,682	1,504,697	304,981
<b>NONCURRENT ASSETS:</b>				
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	346,880	354,388	701,268	684,533
Distribution and collection system	1,899,654	6,027,185	7,926,839	-
Less - Accumulated depreciation	(744,944)	(4,058,338)	(4,803,282)	(545,609)
Net property and equipment	1,625,743	2,359,635	3,985,378	138,924
Deferred charges:				
Unamortized bond issuance costs	3,200	17,690	20,890	-
Total noncurrent assets	1,628,943	2,377,325	4,006,268	138,924
Total assets	2,360,958	3,150,007	5,510,965	443,905
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	4,436	4,920	9,356	4,560
Accrued interest payable	1,813	2,026	3,839	-
Accrued payroll	866	2,594	3,460	109
Due to other funds	4,056	1,596	5,652	-
Bonds, notes, and loans payable	35,000	92,755	127,755	-
Total current liabilities	46,171	103,891	150,062	4,669
<b>NONCURRENT LIABILITIES:</b>				
Bonds, notes, and loans payable	255,000	333,054	588,054	-
Total liabilities	301,171	436,945	738,116	4,669
<b>NET ASSETS:</b>				
Invested in capital assets - net of related debt	1,335,743	1,933,826	3,269,569	138,924
Restricted for debt service	-	66,257	66,257	-
Unrestricted	724,044	712,979	1,437,023	300,312
Total net assets	\$ 2,059,787	\$ 2,713,062	\$ 4,772,849	\$ 439,236

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, 2011**

	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL</b>
	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>	<b>SERVICE</b>
				<b>FUND</b>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 260,662	\$ 398,400	\$ 659,062	\$ 122,218
Charges for services - Bridgewater Township	-	31,200	31,200	-
Connection fees and other charges	1,379	684	2,063	-
Total operating revenues	<u>262,041</u>	<u>430,284</u>	<u>692,325</u>	<u>122,218</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	64,699	143,347	208,046	20,725
Payroll taxes	4,942	10,835	15,777	1,563
Employee benefits	23,797	52,574	76,371	7,605
Chemicals	7,100	8,345	15,445	-
Operating supplies	4,411	14,788	19,199	11,540
Uniforms	-	826	826	-
Gasoline and oil	-	-	-	17,084
Postage	1,060	1,285	2,345	-
Purchased services - other	2,185	4,664	6,849	215
Purchased services - water testing	799	2,915	3,714	-
Purchased services - sludge removal	-	22,183	22,183	-
Purchased services - engineering	-	4,832	4,832	-
Purchased services - audit	1,155	2,730	3,885	525
Permits and fees	-	2,758	2,758	-
Telephone	821	3,361	4,182	-
Public utilities	19,710	45,888	65,598	-
Training, education and seminars	904	278	1,182	-
Memberships	1,418	600	2,018	-
Repairs and maintenance	5,758	14,331	20,089	8,055
Insurance	2,467	1,288	3,755	8,950
Printing	60	-	60	-
Allocation of equipment costs	14,314	14,148	28,462	-
Depreciation	87,711	209,516	297,227	26,760
Total operating expenses	<u>243,311</u>	<u>561,492</u>	<u>804,803</u>	<u>103,022</u>
<b>OPERATING INCOME (LOSS)</b>	<u>18,730</u>	<u>(131,208)</u>	<u>(112,478)</u>	<u>19,196</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	5,514	2,809	8,323	807
Collection of tax assessments	-	63,591	63,591	-
Other income	-	-	-	3,251
Interest expense	(8,319)	(11,353)	(19,672)	-
Miscellaneous expense	(388)	(1,866)	(2,254)	-
Amortization of bond issuance costs	(2,215)	(1,769)	(3,984)	-
Total non-operating revenues (expenses)	<u>(5,408)</u>	<u>51,412</u>	<u>46,004</u>	<u>4,058</u>
Net change in net assets	13,322	(79,796)	(66,474)	23,254
<b>TOTAL NET ASSETS - Beginning of year</b>	<u>2,046,465</u>	<u>2,792,858</u>	<u>4,839,323</u>	<u>415,982</u>
<b>TOTAL NET ASSETS - End of year</b>	<u>\$ 2,059,787</u>	<u>\$ 2,713,062</u>	<u>\$ 4,772,849</u>	<u>\$ 439,236</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, 2011**

	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL SERVICE FUND</b>
	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>TOTAL</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 267,336	\$ 438,544	\$ 705,880	\$ 122,295
Payments to suppliers	(48,519)	(136,094)	(184,613)	(52,072)
Payments to employees	(93,108)	(205,853)	(298,961)	(29,843)
Payments (to) from other funds	(15,180)	(147,807)	(162,987)	4,988
Net cash provided (used) by operating activities	<u>110,529</u>	<u>(51,210)</u>	<u>59,319</u>	<u>45,368</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	-	(10,721)	(10,721)	(40,949)
Principal and interest paid on capital debt	(114,012)	(99,691)	(213,703)	-
Proceeds from tax/special assessments	64,050	67,653	131,703	-
Other receipts (payments)	(389)	(1,866)	(2,255)	3,251
Net cash provided (used) by capital and related financing activities	<u>(50,351)</u>	<u>(44,625)</u>	<u>(94,976)</u>	<u>(37,698)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	5,514	2,809	8,323	807
<b>Net increase (decrease) in cash and cash equivalents</b>	65,692	(93,026)	(27,334)	8,477
<b>Balances - beginning of year</b>	<u>606,460</u>	<u>803,995</u>	<u>1,410,455</u>	<u>277,025</u>
<b>Balances - end of year</b>	<u>\$ 672,152</u>	<u>\$ 710,969</u>	<u>\$ 1,383,121</u>	<u>\$ 285,502</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 18,730	\$ (131,208)	\$ (112,478)	\$ 19,196
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	87,711	209,516	297,227	26,760
Change in assets and liabilities				
Receivables - net	5,295	8,260	13,555	77
Prepaid expenses	620	(496)	124	317
Due from other funds	(216)	(351)	(567)	4,988
Inventories	(1,075)	-	(1,075)	-
Accounts and other payables	(216)	(4,526)	(4,742)	(6,020)
Due to other funds	(650)	(133,308)	(133,958)	-
Accrued expenses	330	903	1,233	50
<b>Net cash provided by operating activities</b>	<u>\$ 110,529</u>	<u>\$ (51,210)</u>	<u>\$ 59,319</u>	<u>\$ 45,368</u>

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

**VILLAGE OF MANCHESTER**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2011**

	<u>EMPLOYEE INSURANCE FUND</u>	<u>SICK PAY BENEFIT FUND</u>	<u>AGENCY FUNDS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,041	\$ 53,116	\$ 24,478
Investments	27,732	-	-
Accounts receivable - taxes	-	-	1,827
	<u>40,773</u>	<u>53,116</u>	<u>\$ 26,305</u>
<b>LIABILITIES</b>			
Accounts payable	1,065	-	\$ -
Accrued leave time	-	22,481	-
Due to other funds	-	-	305
Advances from other funds	-	-	26,000
	<u>1,065</u>	<u>22,481</u>	<u>\$ 26,305</u>
<b>NET ASSETS</b>			
Held in trust for employee benefits	<u>\$ 39,708</u>	<u>\$ 30,635</u>	

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, 2011**

	<b>EMPLOYEE INSURANCE FUND</b>	<b>SICK PAY BENEFIT FUND</b>
	<u>          </u>	<u>          </u>
<b>ADDITIONS</b>		
Employer contributions	\$ 9,856	\$ 2,887
Interest income	156	399
Total additions	<u>10,012</u>	<u>3,286</u>
<b>DEDUCTIONS</b>		
Benefits	<u>8,482</u>	<u>-</u>
<b>Change in net assets</b>	1,530	3,286
<b>Net assets - beginning of year</b>	<u>38,178</u>	<u>27,349</u>
<b>Net assets - end of year</b>	<u><u>\$ 39,708</u></u>	<u><u>\$ 30,635</u></u>

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

**VILLAGE OF MANCHESTER**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**VILLAGE OF MANCHESTER**  
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JUNE 30, 2011

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**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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, 2011**

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, 2011**

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, 2011**

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, 2011.
- 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, 2011**

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, 2011, the liability included \$29,871 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, 2011**

**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>
<b>GENERAL FUND</b>			
Administration	\$ 241,000	\$ 246,319	\$ (5,319)
Building and grounds	158,300	164,336	(6,036)
Planning commission	9,650	9,734	(84)
Total	<u>\$ 408,950</u>	<u>\$ 420,389</u>	<u>\$ (11,439)</u>

**NOTE 3 - PROPERTY TAXES:**

Real and personal property taxes are levied on each July 1st on the property located in the Village as of the preceding December 31, the lien date. These taxes are due to the Village by the fifteenth day of the following September. 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 14.9222 mills and is distributed as follows:

General Operation	10.5659
Highways and Streets	1.6172
Parks and Recreation	0.6019
Debt Service	<u>2.1372</u>
Total	<u><u>14.9222</u></u>

The taxable value of real and personal property located in the Village was \$72,347,433.

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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)	2,437,391
Uninsured and uncollateralized	147,352
	\$ 2,584,968
 Reported in financial statements:	
Governmental funds	\$ 1,405,860
Proprietary funds (Business-type)	1,088,473
Fiduciary funds	90,635
	\$ 2,584,968
 Component Unit: DDA	
Insured	\$ -
Uninsured and uncollateralized	8,875
	\$ 8,875

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, 2011, the Village had the following investments:

Investment Type	Maturity	Market Value	Rating
Certificate of Deposit - Insured	11/10/11	\$ 370,073	AAA
Certificate of Deposit - Insured	11/10/11	23,269	AAA
Certificate of Deposit - Insured	5/17/12	100,736	AAA
Certificate of Deposit - Insured	11/10/11	193,912	AAA
Certificate of Deposit - Insured	11/10/11	27,732	AAA
		\$ 715,722	

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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, 2011, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Trust & Agency	\$ 49
	-	Tax Collection	105
	-	Operational Clearing	146
	<u>300</u>		<u>300</u>
Major Street	-	General	2,043
	-	Municipal Street	25,000
	<u>27,043</u>		<u>27,043</u>
Local Street	<u>1,635</u>	General	<u>1,635</u>
Parks & Recreation	<u>406</u>	General	<u>406</u>
Subtotal	<u>29,384</u>	Subtotal	<u>29,384</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (Continued)

RECEIVABLES		PAYABLES	
Carryover	\$ 29,384	Carryover	\$ 29,384
Water	2,634	General	2,634
Sewer	-	General	6,839
	-	Municipal Street	133
	-	Parks & Recreation	50
	-	Water	2,863
	-	Tax Collection	5
	9,890		9,890
Equipment	-	General Fund	3,522
	-	Major Street	2,394
	-	Local Street	2,128
	-	Parks	500
	-	Sewer	1,596
	-	Water	1,193
	11,333		11,333
Total	\$ 53,241	Total	\$ 53,241

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 6 – CAPITAL ASSETS:**

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

	<u>07/01/10</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/11</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 79,901	\$ 26,940	\$ -	\$ 106,841
Capital assets being depreciated				
Land improvements	201,276	10,000	-	211,276
Buildings and improvements	2,218,584	14,973	-	2,233,557
Equipment, furniture and fixtures	907,752	40,949	-	948,701
Infrastructure - roads	4,024,728	-	-	4,024,728
Subtotal	<u>7,352,340</u>	<u>65,922</u>	<u>-</u>	<u>7,418,262</u>
Less accumulated depreciation for				
Land improvements	123,497	5,951	-	129,448
Buildings and improvements	579,367	64,663	-	644,030
Equipment, furniture and fixtures	633,610	38,255	-	671,865
Infrastructure - roads	<u>1,633,637</u>	<u>187,508</u>	<u>-</u>	<u>1,821,145</u>
Subtotal	<u>2,970,111</u>	<u>296,377</u>	<u>-</u>	<u>3,266,488</u>
Net capital assets being depreciated	<u>4,382,229</u>	<u>(230,455)</u>	<u>-</u>	<u>4,151,774</u>
Capital assets - net of depreciation	<u>\$ 4,462,130</u>	<u>\$ (203,515)</u>	<u>\$ -</u>	<u>\$ 4,258,615</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

NOTE 6 – CAPITAL ASSETS: (Continued)

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

	<u>07/10/10</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>06/30/11</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
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	690,547	10,721	-	701,268
Distribution and collections system	7,926,839	-	-	7,926,839
Subtotal	<u>8,747,934</u>	<u>10,721</u>	<u>-</u>	<u>8,758,655</u>
Less accumulated depreciation for				
Buildings and improvements	11,583	10,810	-	22,393
Equipment, furniture and fixtures	243,464	48,430	-	291,894
Distribution and collection system	4,251,008	237,987	-	4,488,995
Subtotal	<u>4,506,055</u>	<u>297,227</u>	<u>-</u>	<u>4,803,282</u>
Net capital assets being depreciated	<u>4,241,879</u>	<u>(286,506)</u>	<u>-</u>	<u>3,955,373</u>
Capital assets - net of depreciation	<u>\$ 4,271,884</u>	<u>\$ (286,506)</u>	<u>\$ -</u>	<u>\$ 3,985,378</u>

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

GOVERNMENTAL ACTIVITIES	<u>\$ 296,377</u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 87,711
Sewer	<u>209,516</u>
Total business type activities	<u>\$ 297,227</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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, 2011, the Village's required contributions amounted to \$25,164 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2011, was \$484,791 and total payroll subject to retirement benefits was \$425,449.

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, 2011, 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, 2011**

**NOTE 8 – OTHER POST RETIREMENT BENEFITS: (Continued)**

The valuation's computed contribution is summarized as follows:

Annual required contribution (recommended)	<u>\$ 15,194</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, 2011.

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>\$ 266,927</u>
Actuarial Accrued Liability	\$ 126,357
Actuarial Value of Assets	<u>33,648</u>
Unfunded Actuarial Accrued Liability	<u>\$ 92,709</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, 2011**

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

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

	<u>DEBT OUT- STANDING 07/01/10</u>	<u>ADDITIONS OF NEW DEBT</u>	<u>RETIREMENTS AND REPAYMENTS</u>	<u>DEBT OUT- STANDING 06/30/11</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
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% .	\$ 795,000	\$ -	\$ (66,527)	\$ 728,473
<b>BUSINESS-TYPE ACTIVITIES</b>				
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% .	\$ 114,282	\$ -	\$ (55,000)	\$ 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% .	400,000	-	(33,473)	366,527
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%	320,000	-	(30,000)	290,000
2004 Special assessment bonds, \$490,000 maturing serially in annual amounts ranging from \$50,000 to \$75,000 at an interest rate ranging from 2.0% to 2.7% .	75,000	-	(75,000)	-
Total business type activities	<u>\$ 909,282</u>	<u>\$ -</u>	<u>\$ (193,473)</u>	<u>\$ 715,809</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	\$ 66,527	\$ 20,625
2013	66,527	19,295
2014	69,854	17,964
2015	73,180	16,567
2016	76,506	14,995
Thereafter	<u>375,879</u>	<u>39,743</u>
	<u>\$ 728,473</u>	<u>\$ 129,189</u>

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:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	\$ 127,755	\$ 18,220
2013	68,473	16,083
2014	70,146	14,539
2015	70,146	12,961
2016	71,820	11,295
Thereafter	<u>307,469</u>	<u>25,871</u>
	<u>\$ 715,809</u>	<u>\$ 98,969</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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	\$ -	\$ 104,800
Major Street	49,800	-
Local Street	55,000	-
Total	<u>\$ 104,800</u>	<u>\$ 104,800</u>

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

**VILLAGE OF MANCHESTER**  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

	<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>
<b>REVENUES:</b>				
Taxes - Property taxes	\$ 825,800	\$ 825,800	\$ 828,883	\$ 3,083
Franchise fees	22,000	23,000	23,730	730
Licenses and permits	1,550	1,800	1,935	135
Fees and fines	5,300	5,900	5,771	(129)
Intergovernmental				
Sales tax	159,250	159,250	169,498	10,248
State liquor control	1,700	1,700	1,696	(4)
State Metro Act	6,800	6,800	7,123	323
Total	<u>167,750</u>	<u>167,750</u>	<u>178,317</u>	<u>10,567</u>
Charges for services				
Reimbursed services	1,250	7,150	8,023	873
Garbage pickup	70,250	73,250	73,030	(220)
Total	<u>71,500</u>	<u>80,400</u>	<u>81,053</u>	<u>653</u>
Rental income	86,765	86,765	87,649	884
Interest income	4,850	6,200	6,643	443
Other revenues	100	1,750	1,810	60
<b>Total Revenues</b>	<u>\$ 1,185,615</u>	<u>\$ 1,199,365</u>	<u>\$ 1,215,791</u>	<u>\$ 16,426</u>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

	<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>
<b>EXPENDITURES:</b>				
LEGISLATIVE:				
VILLAGE COUNCIL:				
Salaries and wages	\$ -	\$ -	\$ 39,323	\$ -
Payroll taxes	-	-	3,011	-
Employee benefits	-	-	10,717	-
Downtown Development Association	-	-	15,000	-
Printing	-	-	56	-
Memberships	-	-	1,978	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
Total legislative	<u>80,800</u>	<u>76,700</u>	<u>73,085</u>	<u>3,615</u>
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	87,783	-
Payroll taxes	-	-	6,672	-
Employee benefits	-	-	23,981	-
Operating supplies	-	-	2,862	-
Training, education and seminars	-	-	300	-
Postage	-	-	3,954	-
Telephone	-	-	6,259	-
Memberships	-	-	120	-
Purchased services - legal	-	-	5,831	-
Purchased services - audit	-	-	4,620	-
Purchased services - other	-	-	4,772	-
Garbage services	-	-	63,274	-
Printing	-	-	38	-
Insurance	-	-	14,158	-
Travel	-	-	1,244	-
Repairs and maintenance	-	-	1,659	-
Tax refunds	-	-	6,619	-
Other	-	-	2,173	-
Capital outlay	-	-	10,000	-
Total	<u>238,350</u>	<u>241,000</u>	<u>246,319</u>	<u>(5,319)</u>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

	<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>
<b>EXPENDITURES: (Continued)</b>				
<b>BUILDING AND GROUNDS:</b>				
Salaries and wages	-	-	7,192	-
Payroll taxes	-	-	546	-
Employee benefits	-	-	1,763	-
Operating supplies	-	-	5,298	-
Public utilities	-	-	54,589	-
Insurance	-	-	11,306	-
Repairs and maintenance	-	-	5,762	-
Purchased services - cleaning	-	-	22,756	-
Purchased services - other	-	-	2,692	-
Capital outlay	-	-	41,913	-
Allocation of equipment costs	-	-	10,519	-
Total	<u>153,400</u>	<u>158,300</u>	<u>164,336</u>	<u>(6,036)</u>
Total general government	<u>391,750</u>	<u>399,300</u>	<u>410,655</u>	<u>(11,355)</u>
<b>PUBLIC WORKS:</b>				
<b>DEPARTMENT OF PUBLIC WORKS:</b>				
Operating supplies	-	-	1,777	-
Uniforms	-	-	1,219	-
Purchased services - other	-	-	1,170	-
Telephone	-	-	1,980	-
Memberships	-	-	141	-
Total	<u>6,350</u>	<u>6,350</u>	<u>6,287</u>	<u>63</u>
<b>TREE REMOVAL AND REPLACEMENT:</b>				
Salaries and wages	-	-	1,963	-
Payroll taxes	-	-	148	-
Employee benefits	-	-	651	-
Operating supplies	-	-	897	-
Trees and plant materials	-	-	1,450	-
Purchased services - other	-	-	2,375	-
Allocation of equipment costs	-	-	2,882	-
Total	<u>11,750</u>	<u>12,250</u>	<u>10,366</u>	<u>1,884</u>
<b>SIDEWALK CONSTRUCTION:</b>				
Salaries and wages	-	-	282	-
Payroll taxes	-	-	21	-
Employee benefits	-	-	112	-
Purchased services - other	-	-	390	-
Allocation of equipment costs	-	-	1,410	-
Total	<u>7,000</u>	<u>2,900</u>	<u>2,215</u>	<u>685</u>
<b>LIGHTING:</b>				
Street lighting	<u>66,150</u>	<u>70,150</u>	<u>69,990</u>	<u>160</u>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

	<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>
<b>EXPENDITURES:</b> (Continued)				
<b>PUBLIC WORKS:</b> (Continued)				
<b>RECYCLING:</b>				
Salaries and wages	-	-	9,440	-
Payroll taxes	-	-	717	-
Employee benefits	-	-	2,084	-
Operating supplies	-	-	52	-
Allocation of equipment costs	-	-	13,260	-
Total	<u>38,700</u>	<u>28,800</u>	<u>25,553</u>	<u>3,247</u>
Total public works	<u>129,950</u>	<u>120,450</u>	<u>114,411</u>	<u>6,039</u>
<b>PUBLIC SAFETY:</b>				
<b>POLICE ADMINISTRATION:</b>				
Purchased services - Police	-	-	459,497	-
Purchased services - Legal	-	-	4,590	-
Total	<u>467,030</u>	<u>467,030</u>	<u>464,087</u>	<u>2,943</u>
<b>PLANNING COMMISSION:</b>				
Salaries and wages	-	-	1,876	-
Payroll taxes	-	-	144	-
Employee benefits	-	-	43	-
Purchased services - planning	-	-	4,650	-
Purchased services - other	-	-	2,081	-
Printing	-	-	150	-
Training, education and seminars	-	-	165	-
Memberships	-	-	625	-
Total	<u>10,850</u>	<u>9,650</u>	<u>9,734</u>	<u>(84)</u>
Total public safety	<u>477,880</u>	<u>476,680</u>	<u>473,821</u>	<u>2,859</u>
<b>DEBT SERVICE:</b>				
<b>MUNICIPAL BOND EXPENDITURES:</b>				
Bond principal payments	-	-	66,527	-
Interest	-	-	19,660	-
Purchased services - other	-	-	68	-
Tax refunds	-	-	1,017	-
Total debt service	<u>86,750</u>	<u>87,400</u>	<u>87,272</u>	<u>128</u>
Total expenditures	<u>1,167,130</u>	<u>1,160,530</u>	<u>1,159,244</u>	<u>1,286</u>
<b>Net change in fund balances</b>	18,485	38,835	56,547	17,712
<b>Fund balance, beginning of year</b>	<u>1,099,794</u>	<u>1,099,794</u>	<u>1,099,794</u>	-
<b>Fund balance, end of year</b>	<u>\$ 1,118,279</u>	<u>\$ 1,138,629</u>	<u>\$ 1,156,341</u>	<u>\$ 17,712</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, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Motor Vehicle Highway Fund payments	\$ 93,000	\$ 93,000	\$ 108,406	\$ 15,406
Interest income	50	50	69	19
Total revenues	<u>93,050</u>	<u>93,050</u>	<u>108,475</u>	<u>15,425</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>ADMINISTRATION:</b>				
Salaries and wages	-	-	21,382	-
Payroll taxes	-	-	1,618	-
Employee benefits	-	-	7,866	-
Repairs and maintenance	-	-	495	-
Insurance	-	-	1,921	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	525	-
Total General Government	<u>35,100</u>	<u>35,100</u>	<u>33,907</u>	<u>1,193</u>
<b>PUBLIC WORKS:</b>				
<b>STREET MAINTENANCE:</b>				
Salaries and wages	-	-	21,655	-
Payroll taxes	-	-	1,627	-
Employee benefits	-	-	7,939	-
Operating supplies	-	-	1,097	-
Purchased services - engineering	-	-	700	-
Purchased services - other	-	-	1,607	-
Allocation of equipment costs	-	-	20,441	-
Total	<u>61,300</u>	<u>61,600</u>	<u>55,066</u>	<u>6,534</u>
<b>BRIDGE MAINTENANCE:</b>				
Salaries and wages	-	-	89	-
Payroll taxes	-	-	7	-
Employee benefits	-	-	33	-
Purchased services - engineering	-	-	8,172	-
Total	<u>36,500</u>	<u>36,500</u>	<u>8,301</u>	<u>28,199</u>
<b>WINTER MAINTENANCE:</b>				
Salaries and wages	-	-	4,470	-
Payroll taxes	-	-	338	-
Employee benefits	-	-	1,574	-
Operating supplies	-	-	9,679	-
Purchased services - other	-	-	1,018	-
Allocation of equipment costs	-	-	7,708	-
Total	<u>31,900</u>	<u>25,100</u>	<u>24,787</u>	<u>313</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, 2011**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>EXPENDITURES</b> (Continued):				
<b>PUBLIC WORKS:</b> (Continued)				
<b>TRAFFIC SERVICES:</b>				
Salaries and wages	-	-	3,295	-
Payroll taxes	-	-	250	-
Employee benefits	-	-	1,240	-
Operating supplies	-	-	1,493	-
Allocation of equipment costs	-	-	1,994	-
Total	<u>11,900</u>	<u>10,600</u>	<u>8,272</u>	<u>2,328</u>
Total public works	<u>141,600</u>	<u>133,800</u>	<u>96,426</u>	<u>37,374</u>
Total expenditures	<u>176,700</u>	<u>168,900</u>	<u>130,333</u>	<u>38,567</u>
Excess of revenues over expenditures before other financing sources (uses)	(83,650)	(75,850)	(21,858)	53,992
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in (out)	<u>83,650</u>	<u>75,850</u>	<u>49,800</u>	<u>(26,050)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	27,942	27,942
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>37,958</u>	<u>37,958</u>	<u>37,958</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 37,958</u>	<u>\$ 37,958</u>	<u>\$ 65,900</u>	<u>\$ 27,942</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, 2011**

	<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>
<b>REVENUES:</b>				
Motor Vehicle Highway Fund payments	\$ 38,000	\$ 38,000	\$ 44,172	\$ 6,172
Interest income	10	310	376	66
Total revenues	<u>38,010</u>	<u>38,310</u>	<u>44,548</u>	<u>6,238</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>ADMINISTRATION:</b>				
Salaries and wages	-	-	14,084	-
Payroll taxes	-	-	1,068	-
Employee benefits	-	-	5,179	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	525	-
Insurance	-	-	3,505	-
Repairs and maintenance	-	-	494	-
Total General Government	<u>26,000</u>	<u>26,000</u>	<u>24,955</u>	<u>1,045</u>
<b>PUBLIC WORKS:</b>				
<b>STREET MAINTENANCE:</b>				
Salaries and wages	-	-	21,550	-
Payroll taxes	-	-	1,623	-
Employee benefits	-	-	7,872	-
Operating supplies	-	-	1,823	-
Repairs and maintenance	-	-	7,400	-
Allocation of equipment costs	-	-	18,631	-
Total	<u>61,700</u>	<u>62,500</u>	<u>58,899</u>	<u>3,601</u>
<b>WINTER MAINTENANCE:</b>				
Salaries and wages	-	-	3,353	-
Payroll taxes	-	-	253	-
Employee benefits	-	-	1,344	-
Operating supplies	-	-	9,679	-
Purchased services - other	-	-	744	-
Allocation of equipment costs	-	-	9,147	-
Total	<u>26,850</u>	<u>24,850</u>	<u>24,520</u>	<u>330</u>
<b>BRIDGE MAINTENANCE:</b>				
Salaries and wages	-	-	19	-
Payroll taxes	-	-	1	-
Employee benefits	-	-	8	-
Allocation of equipment costs	-	-	26	-
Total	<u>1,500</u>	<u>1,500</u>	<u>54</u>	<u>1,446</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, 2011**

	<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>
<b>EXPENDITURES:</b> (Continued)				
<b>PUBLIC WORKS:</b> (Continued)				
<b>TRAFFIC SERVICES:</b>				
Salaries and wages	-	-	1,585	-
Payroll taxes	-	-	120	-
Employee benefits	-	-	521	-
Operating supplies	-	-	1,579	-
Allocation of equipment costs	-	-	1,738	-
Total	<u>5,850</u>	<u>6,450</u>	<u>5,543</u>	<u>907</u>
 Total public works	<u>95,900</u>	<u>95,300</u>	<u>89,016</u>	<u>6,284</u>
 Total expenditures	<u>121,900</u>	<u>121,300</u>	<u>113,971</u>	<u>7,329</u>
 Excess of revenues over expenditures before other financing sources (uses)	<u>(83,890)</u>	<u>(82,990)</u>	<u>(69,423)</u>	<u>13,567</u>
 <b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in (out)	<u>83,890</u>	<u>83,000</u>	<u>55,000</u>	<u>(28,000)</u>
 <b>NET CHANGE IN FUND BALANCE</b>	-	10	(14,423)	(14,433)
 <b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>25,959</u>	<u>25,959</u>	<u>25,959</u>	<u>-</u>
 <b>FUND BALANCE, END OF YEAR</b>	<u>\$ 25,959</u>	<u>\$ 25,969</u>	<u>\$ 11,536</u>	<u>\$ (14,433)</u>

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

**VILLAGE OF MANCHESTER**  
ADDITIONAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**VILLAGE OF MANCHESTER**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<b>SPECIAL REVENUE FUNDS</b>		
	<b>MUNICIPAL STREET</b>	<b>PARKS AND RECREATION</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 237,749	\$ 92,179	\$ 329,928
Accounts receivable - taxes	290	108	398
Prepaid expenses	-	1,752	1,752
Due from other funds	-	406	406
	\$ 238,039	\$ 94,445	\$ 332,484
	\$ 238,039	\$ 94,445	\$ 332,484
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 376	\$ 376
Accrued payroll	-	330	330
Due to other funds	25,133	550	25,683
Total liabilities	25,133	1,256	26,389
	25,133	1,256	26,389
<b>FUND BALANCE:</b>			
Restricted for:			
Highways and streets	212,906	-	212,906
Recreational and cultural	-	93,189	93,189
Total fund balance	212,906	93,189	306,095
	212,906	93,189	306,095
Total liabilities and fund balance	\$ 238,039	\$ 94,445	\$ 332,484
	\$ 238,039	\$ 94,445	\$ 332,484

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, 2011**

	<b>SPECIAL REVENUE FUNDS</b>		
	<b>MUNICIPAL STREET</b>	<b>PARKS AND RECREATION</b>	<b>TOTAL</b>
<b>REVENUES:</b>			
Taxes and penalties	\$ 113,573	\$ 42,270	\$ 155,843
Interest income	666	218	884
Contributions	-	1,666	1,666
Other revenue	-	160	160
Total revenues	114,239	44,314	158,553
<b>EXPENDITURES:</b>			
Salaries and wages	-	15,586	15,586
Payroll taxes	-	1,200	1,200
Employee benefits	-	3,707	3,707
Operating supplies	-	2,421	2,421
Purchased services - other	-	7,854	7,854
Purchased services - audit	-	420	420
Repairs and maintenance	-	3,557	3,557
Public utilities	-	1,951	1,951
Insurance	-	1,835	1,835
Allocation of equipment costs	-	6,000	6,000
Tax refunds	1,267	513	1,780
Other	34	-	34
Total expenditures	1,301	45,044	46,345
Excess of revenues over expenditures before other financing sources (uses)	112,938	(730)	112,208
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers (out)	(104,800)	-	(104,800)
<b>NET CHANGE IN FUND BALANCES</b>	8,138	(730)	7,408
<b>FUND BALANCE - Beginning of year</b>	204,768	93,919	298,687
<b>FUND BALANCE - End of year</b>	\$ 212,906	\$ 93,189	\$ 306,095

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

**VILLAGE OF MANCHESTER**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**VILLAGE OF MANCHESTER**  
**SCHEDULE OF INDEBTEDNESS**  
 JUNE 30, 2011

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/11	06/30/10	
<b><u>BUSINESS TYPE ACTIVITIES</u></b>								
<b>UNLIMITED TAX GENERAL OBLIGATION BONDS -</b>								
Sewer - Series 2010	06/22/10	\$ 400,000	2.00%	05/01/12	\$ 33,473	\$ 33,473	\$ -	\$ 10,377
			2.00%	05/01/13	33,473	33,473	33,473	9,708
			2.00%	05/01/14	35,146	35,146	35,146	9,039
			2.25%	05/01/15	35,146	35,146	35,146	8,336
			2.65%	05/01/16	36,820	36,820	36,820	7,545
			3.00%	05/01/17	38,494	38,494	38,494	6,569
			3.15%	05/01/18	40,167	40,167	40,167	5,414
			3.40%	05/01/19	41,841	41,841	41,841	4,149
			3.65%	05/01/20	43,515	43,515	43,515	2,726
			4.00%	05/01/21	28,452	28,452	28,452	1,138
<b>Total Unlimited Tax General Obligation Bonds</b>						<b>\$ 366,527</b>	<b>\$ 333,054</b>	<b>\$ 65,001</b>
<b><u>MICHIGAN MUNICIPAL BOND AUTHORITY</u></b>								
Michigan Drinking Water Revolving Fund	09/29/98	\$ 620,000	2.50%	04/01/12	\$ 35,000	\$ 35,000		\$ 7,250
			2.50%	04/01/13	35,000	35,000	35,000	6,375
			2.50%	04/01/14	35,000	35,000	35,000	5,500
			2.50%	04/01/15	35,000	35,000	35,000	4,625
			2.50%	04/01/16	35,000	35,000	35,000	3,750
			2.50%	04/01/17	35,000	35,000	35,000	2,875
			2.50%	04/01/18	40,000	40,000	40,000	2,000
			2.50%	04/01/19	40,000	40,000	40,000	1,000
<b>Total Michigan Drinking Water Revolving Fund Program</b>						<b>\$ 290,000</b>	<b>\$ 255,000</b>	<b>\$ 33,375</b>
<b>General Obligation Bonds:</b>								
Series 1991	03/28/91	\$ 955,000	2.00%	10/01/11	\$ 59,282	\$ 59,282	\$ -	\$ 593
<b>Total Water and Sewer Enterprise Funds</b>						<b>\$ 715,809</b>	<b>\$ 588,054</b>	<b>\$ 98,969</b>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>								
<b>UNLIMITED TAX GENERAL OBLIGATION BONDS -</b>								
Sewer - Series 2010	06/22/10	\$ 795,000	2.00%	05/01/12	\$ 66,527	\$ 66,527	\$ -	\$ 20,625
			2.00%	05/01/13	66,527	66,527	66,527	19,295
			2.00%	05/01/14	69,854	69,854	69,854	17,964
			2.25%	05/01/15	69,854	69,854	69,854	16,567
			2.65%	05/01/16	73,180	73,180	73,180	14,995
			3.00%	05/01/17	76,506	76,506	76,506	13,056
			3.15%	05/01/18	79,833	79,833	79,833	10,761
			3.40%	05/01/19	83,159	83,159	83,159	8,246
			3.65%	05/01/20	86,485	86,485	86,485	5,419
			4.00%	05/01/21	56,548	56,548	56,548	2,261
<b>Total General Government Activity</b>						<b>\$ 728,473</b>	<b>\$ 661,946</b>	<b>\$ 129,189</b>

# MARKOWSKI & COMPANY

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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, 2011, and have issued our report thereon dated October 10, 2011. Professional standards require that we provide you with the following information related to our audit.

#### **Our responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated September 22, 2011 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 2011. 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 estimate 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 10, 2011.

Village Council  
Village of Manchester  
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#### Management Consultations with Other Independent Accountants

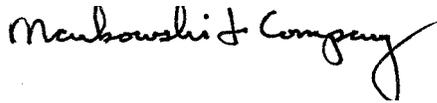
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Village of Manchester’s financial statements or a determination 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 10, 2011

# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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RANDALL D. BIDDIX, C.P.A.  
**FOUNDING PARTNER:**  
K. LAVERNE MARKOWSKI, CPA (1961-2006)

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
AICPA GOVERNMENTAL AUDIT  
QUALITY CENTER

Manchester Village Council

Manchester, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester as of and for the year ended June 30, 2011, 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**

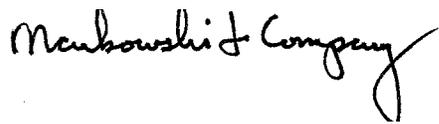
Because of the limited size of the Village of Manchester's accounting staff, proper segregation of controls cannot be accomplished. This is an inherent weakness in the internal controls of the Village. The Village management needs to continue to exercise appropriate management oversight to help compensate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

Village of Manchester

Manchester, Michigan

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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 10, 2011

**VILLAGE OF MANCHESTER**  
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2011

**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.