

VILLAGE OF MANCHESTER
WASHTENAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDING JUNE 30, 2013

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
 JUNE 30, 2013

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

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

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester, State of Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester, State of Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

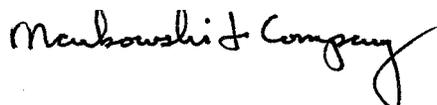
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 35-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Yours truly,



MARKOWSKI & COMPANY, CPAs
December 12, 2013

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, 2013. We encourage readers to consider the information presented here.

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

The Village as a Whole

The Village has a combined net position of \$10,931,829. Of this amount, \$2,585,734 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$7,789,385 reflects the Village's investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructures consisting of water and sewer lines and roads and streets); less any related debt used to acquire those assets still outstanding. The remaining \$556,710 of net position is restricted for various uses as determined by external constraints by grantors, contributors, or laws or regulations.

The Village's total net position increased by \$926,553 in 2013. Governmental activities net position increased \$413,824 and Business-Type activities increased \$512,729. Large capital contributions used in streetscape improvements and water and sewer improvements contributed to these large increases. Capital contributions were \$451,906 for governmental activities and \$627,718 for business type activities for the year ended June 30, 2013.

In a condensed format, the following table shows the net position as of June 30, 2013 and 2012:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 1,944,353	\$ 1,979,223	\$ 1,542,008	\$ 1,543,374	\$ 3,486,361	\$ 3,522,597
Noncurrent Assets	4,576,893	4,138,453	4,204,041	3,776,200	8,780,934	7,914,653
Total Assets	6,521,246	6,117,676	5,746,049	5,319,574	12,267,295	11,437,250
Current Liabilities	318,961	189,215	111,652	127,759	430,613	316,974
Long-Term Debt	455,418	595,418	449,435	519,582	904,853	1,115,000
Total Liabilities	774,379	784,633	561,087	647,341	1,335,466	1,431,974
Net Position						
Invested in Capital Assets - Net of Related Debt	4,121,477	3,476,508	3,667,908	3,169,424	7,789,385	6,645,932
Restricted For:						
Highways and Streets	461,203	373,696	-	-	461,203	373,696
Debt Service	-	11,180	4,160	2,434	4,160	13,614
Recreational and Cultural	69,893	82,383	-	-	69,893	82,383
Capital Improvements	21,454	23,358	-	-	21,454	23,358
Unrestricted	1,072,840	1,365,918	1,512,894	1,500,375	2,585,734	2,866,293
Total Net Position	\$ 5,746,867	\$ 5,333,043	\$ 5,184,962	\$ 4,672,233	\$ 10,931,829	\$ 10,005,276

Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net position as of June 30, 2013 and 2012:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 221,660	\$ 225,247	\$ 712,011	\$ 700,497	\$ 933,671	\$ 925,744
Operating Grants and Contributions	337,909	347,062	-	-	337,909	347,062
Capital Grants and Contributions	537,244	87,785	672,921	44,068	1,210,165	131,853
General Revenues						
Property Taxes	674,784	714,915	-	-	674,784	714,915
State-Shared Revenues	185,559	180,740	-	-	185,559	180,740
Interest Income	4,728	5,715	3,116	3,147	7,844	8,862
Franchise Fees	25,986	23,554	-	-	25,986	23,554
Other Income	15,250	28,780	10,541	500	25,791	29,280
Total Revenues	2,003,120	1,613,798	1,398,589	748,212	3,401,709	2,362,010
Program Expenses						
Legislative	49,259	48,767	-	-	49,259	48,767
General Government	363,782	381,009	-	-	363,782	381,009
Public Safety	484,475	486,520	-	-	484,475	486,520
Public Works	315,959	352,669	-	-	315,959	352,669
Recreational and Cultural	45,306	39,366	-	-	45,306	39,366
Interest on Long-Term Debt	19,074	21,235	-	-	19,074	21,235
Depreciation	311,441	291,644	-	-	311,441	291,644
Water and Sewer	-	-	885,860	848,828	885,860	848,828
Total Expenses	1,589,296	1,621,210	885,860	848,828	2,475,156	2,470,038
Change in Net Position	\$ 413,824	\$ (7,412)	\$ 512,729	\$ (100,616)	\$ 926,553	\$ (108,028)

Government Activities

The Village's total governmental revenues increased by \$389,322. The increase resulted primarily from the capital contribution received from Federal and State Government for improvements to the Village's downtown area.

Property tax revenues decreased due to taxable values decreasing by 5% or \$3.6 million dollars resulting in a decrease of \$40,000.

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

The Village's expenditures decreased 2% as Management continues to control costs where possible.

Management's Discussion and Analysis

Business Type Activities

The Village's business-type activities consist of its Water and Sewer funds. During 2013, the net position increased by \$512,729. The increase was due primarily to contributed capital in the amount of \$627,718. Charges for services increased slightly as rates were increased minimally to try to maintain revenues as costs of operations increase.

Expenditures increased by 5% as the cost for operating the water and sewer increased.

The Village's Funds

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

The General Fund, the major governmental fund, relates to the general governmental activities for the Village, which is financed by property tax levies, by distribution of state shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance decreased by \$14,811 primarily due to Village improvements to its downtown streetscape in the amount of \$113,601.

Police services continued to increase (1%) as public safety costs rise. These services are contracted through the County of Washtenaw.

The Water and Sewer Funds are used to account for business-like activities provided to the Village's residents. The Village charges for water and sewer service and other related goods and services. Net position increased by \$512,729 primarily as the result of capital contributions. Revenues have stabilized and operating expenditures increased by 5%. Depreciation expense in the enterprise funds totaled \$306,349.

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 \$66,000 to maintain these funds and to begin to accumulate fund balance to aid in the Main Street Bridge repairs.

General Fund Budgetary Highlights

The original budget adopted for the Village's General Fund projected a \$51,010 decrease in fund balance, primarily by budgeting for capital improvements to the downtown area. As the year progressed and actual events took place, an amended budget was adopted to more precisely reflect the M-52 and streetscape project timing. The final General Fund amended budget projected a \$91,925 decrease in fund balance. Actual fund balance decreased by \$14,811 when actual expenditures for the project were either reduced or moved into the next fiscal year.

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

Management's Discussion and Analysis

Capital Asset and Debt Administration

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

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 801,544	\$ 30,005	\$ 831,549
Buildings and improvements	1,499,870	86,543	1,586,413
Equipment, furniture and fixtures	436,598	339,856	776,454
Infrastructure	1,838,881	-	1,838,881
Distribution and collection system	-	3,731,085	3,731,085
Total	<u>\$ 4,576,893</u>	<u>\$ 4,187,489</u>	<u>\$ 8,764,382</u>

At the end of the year the Village had total debt outstanding of \$1,115,000.

Economic Factors and Next Year's Budgets and Rates

The Village of Manchester continues to monitor state and local economies to determine the direction of our fiscal decisions. For the year 2013/2014, taxable values have finally leveled out. There will be not be an increase in general fund millage and we expect the same for the 2014/2015 budget year. The M-52 reconstruction project and the downtown streetscape project have both been completed and are great improvements to our community with over two miles of new roads, water mains, sidewalks along with other improvements. The downtown streetscape includes new sidewalks, sitting areas, benches, LED streetlights and other amenities.

The village has started design engineering for a complete bridge replacement of the Main Street Bridge. This is in conjunction of being awarded a \$2,974,000 Grant from the Local Bridge Program through the State of Michigan. We will also complete a mill and refill project on West Main Street during the 2014 fiscal year.

Engineering has started on a Shared Use Trial in the village which may be constructed in 2014. This is being completed with funds acquired specifically for this purpose from a grant and a foundation.

We are also working with a consultant in the 2013/2014 year to put together a Master Plan for the Raisin River Waterfront Downtown in hopes of applying for a Michigan Natural Resource Fund Grant in the spring of 2014.

Water and sewer funds and infrastructures remain stable. We have applied for a Stormwater, Asset Management and Wastewater Grant to establish an asset management plan for our Wastewater Treatment Plant. We may also be applying for a Drinking Water Fund Loan to make capital improvements to our water system.

The future outlook remains stable. Village Council and management will continue to keep abreast of state and federal issues that affect the Village and its residents. Village management is confident that we can best continue to balance and find savings in our budget by using a "rolling adjustment" process that we have implemented over the last few years. We continuously work to find ways to save dollars in operations as we go through the year, thus making sure our operations are efficient. This allows us to adjust not only to changes that come up during the year, but to take advantage of opportunities within our budget plan. Village management will seek out and work with economic programs to match and enhance taxpayer dollars. We all remain committed to streamlining operations and challenging the ways in which we operate so that services to the residents are maintained.

Contacting the Village's Management

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

VILLAGE OF MANCHESTER
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,403,041	\$ 1,129,842	\$ 2,532,883	\$ 7,488
Investments	505,839	205,000	710,839	-
Accounts receivable:				
Taxes	4,320	208	4,528	-
Customers	13,264	74,139	87,403	-
Other	6,696	-	6,696	-
Prepaid expenses	1,580	-	1,580	-
Due from other governments	83,569	-	83,569	-
Internal balances	(73,956)	99,979	26,023	-
Inventory	-	32,840	32,840	-
Total current assets	<u>1,944,353</u>	<u>1,542,008</u>	<u>3,486,361</u>	<u>7,488</u>
NONCURRENT ASSETS				
Capital assets:				
Land and land improvements	958,881	30,005	988,886	35,500
Buildings and improvements	2,274,751	130,548	2,405,299	-
Equipment, furniture and fixtures	1,057,850	728,626	1,786,476	-
Infrastructure - roads	4,024,728	-	4,024,728	-
Distribution and collection system	-	8,705,073	8,705,073	-
Less - Accumulated depreciation	<u>(3,739,317)</u>	<u>(5,406,763)</u>	<u>(9,146,080)</u>	<u>(750)</u>
Net property and equipment	4,576,893	4,187,489	8,764,382	34,750
Deferred charges	-	16,552	16,552	-
Total noncurrent assets	<u>4,576,893</u>	<u>4,204,041</u>	<u>8,780,934</u>	<u>34,750</u>
Total assets	<u>6,521,246</u>	<u>5,746,049</u>	<u>12,267,295</u>	<u>42,238</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	119,288	34,350	153,638	63
Accrued interest payable	2,995	2,879	5,874	-
Accrued payroll	4,850	4,276	9,126	-
Accrued leave payable	32,079	-	32,079	-
Deposits	19,749	-	19,749	-
Bonds, notes, and loans payable	140,000	70,147	210,147	-
Total current liabilities	<u>318,961</u>	<u>111,652</u>	<u>430,613</u>	<u>63</u>
NONCURRENT LIABILITIES				
Bonds, notes, and loans payable	455,418	449,435	904,853	-
Total liabilities	<u>774,379</u>	<u>561,087</u>	<u>1,335,466</u>	<u>63</u>
NET POSITION				
Invested in capital assets - net of related debt	4,121,477	3,667,908	7,789,385	34,750
Restricted for:				
Highways and streets	461,203	-	461,203	-
Debt service	-	4,160	4,160	-
Recreational and cultural	69,893	-	69,893	-
Capital improvements	21,454	-	21,454	-
Unrestricted	1,072,840	1,512,894	2,585,734	7,425
Total net position	<u>\$ 5,746,867</u>	<u>\$ 5,184,962</u>	<u>\$ 10,931,829</u>	<u>\$ 42,175</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 49,259	\$ -	\$ -	\$ -
General government	363,782	193,109	-	86,148
Public safety	484,475	5,871	-	-
Public works	315,959	22,680	300,283	451,096
Recreational and cultural	45,306	-	37,626	-
Interest on long-term debt	19,074	-	-	-
Depreciation	311,441	-	-	-
Total governmental activities	1,589,296	221,660	337,909	537,244
Business-type activities				
Water and sewer	885,860	712,011	-	672,921
Total primary government	\$ 2,475,156	\$ 933,671	\$ 337,909	\$ 1,210,165
Component Unit:				
Downtown Development Authority	\$ 3,477	\$ -	\$ -	\$ -

General revenues
Property taxes
State-shared revenues
Interest income
Franchise fees
Other income
Total general revenues

Change in net position
Net position - Beginning
Net position - Ending

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

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

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (49,259)	\$ -	\$ (49,259)	\$ -
(84,525)	-	(84,525)	-
(478,604)	-	(478,604)	-
458,100	-	458,100	-
(7,680)	-	(7,680)	-
(19,074)	-	(19,074)	-
(311,441)	-	(311,441)	-
(492,483)	-	(492,483)	-
-	499,072	499,072	-
(492,483)	499,072	6,589	-
-	-	-	(3,477)
674,784	-	674,784	-
185,559	-	185,559	-
4,728	3,116	7,844	34
25,986	-	25,986	-
15,250	10,541	25,791	-
906,307	13,657	919,964	34
413,824	512,729	926,553	(3,443)
5,333,043	4,672,233	10,005,276	45,618
\$ 5,746,867	\$ 5,184,962	\$ 10,931,829	\$ 42,175

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 948,005	\$ 68,901	\$ 555	\$ 345,327	\$ 1,362,788
Investments	245,743	-	-	105,319	351,062
Accounts receivable:					
Taxes	3,497	-	-	823	4,320
Customers	13,014	-	-	-	13,014
Other	6,696	-	-	-	6,696
Prepaid expenses	1,580	-	-	-	1,580
Due from other funds	1,125	30,412	5,563	313	37,413
Due from other governments	57,254	18,743	7,572	-	83,569
Advances to other funds	26,000	-	-	-	26,000
	<u>1,302,914</u>	<u>118,056</u>	<u>13,690</u>	<u>451,782</u>	<u>1,886,442</u>
Total assets	<u>\$ 1,302,914</u>	<u>\$ 118,056</u>	<u>\$ 13,690</u>	<u>\$ 451,782</u>	<u>\$ 1,886,442</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 107,572	\$ 3,197	\$ 6,008	\$ 686	\$ 117,463
Accrued interest payable	2,995	-	-	-	2,995
Accrued payroll	1,908	1,228	970	400	4,506
Due to other funds	6,725	1,788	2,655	35,500	46,668
Deposits	19,747	-	-	-	19,747
Total liabilities	<u>138,947</u>	<u>6,213</u>	<u>9,633</u>	<u>36,586</u>	<u>191,379</u>
FUND BALANCES					
Restricted for:					
Highways and streets	-	111,843	4,057	345,303	461,203
Recreational and cultural	-	-	-	69,893	69,893
Capital improvements	21,454	-	-	-	21,454
Assigned for capital improvements	208,942	-	-	-	208,942
Unassigned	933,571	-	-	-	933,571
Total fund balances	<u>1,163,967</u>	<u>111,843</u>	<u>4,057</u>	<u>415,196</u>	<u>1,695,063</u>
Total liabilities and fund equity	<u>\$ 1,302,914</u>	<u>\$ 118,056</u>	<u>\$ 13,690</u>	<u>\$ 451,782</u>	<u>\$ 1,886,442</u>

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

VILLAGE OF MANCHESTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance - total governmental funds	\$ 1,695,063
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of the Internal Service Fund. (Net of accumulated depreciation).	4,576,893
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	102,408
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(595,418)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(32,079)</u>
Net position of governmental activities	<u><u>\$ 5,746,867</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, 2013

	GENERAL FUND	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENT FUNDS	TOTAL
REVENUES:					
Taxes and penalties	\$ 760,932	\$ -	\$ -	\$ 178,979	\$ 939,911
Franchise fee	25,986	-	-	-	25,986
Licenses and permits	4,350	-	-	-	4,350
Fees and fines	5,872	-	-	-	5,872
Intergovernmental - State	185,559	113,201	45,729	-	344,489
Charges for services	99,990	-	-	-	99,990
Rental income	88,769	-	-	-	88,769
Interest income	2,761	105	16	746	3,628
Contributed Capital	451,096	-	-	-	451,096
Other revenues	8,842	1,417	1,267	3,724	15,250
Total revenues	<u>1,634,157</u>	<u>114,723</u>	<u>47,012</u>	<u>183,449</u>	<u>1,979,341</u>
EXPENDITURES:					
Current:					
Legislative	49,259	-	-	-	49,259
General government	939,386	-	-	-	939,386
Public safety	484,475	-	-	-	484,475
Public works	90,248	124,114	92,100	-	306,462
Recreational & cultural	-	-	-	53,953	53,953
Debt service	85,600	-	-	-	85,600
Total expenditures	<u>1,648,968</u>	<u>124,114</u>	<u>92,100</u>	<u>53,953</u>	<u>1,919,135</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(14,811)</u>	<u>(9,391)</u>	<u>(45,088)</u>	<u>129,496</u>	<u>60,206</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	30,000	36,000	-	66,000
Operating transfers (out)	-	-	-	(66,000)	(66,000)
Total other financing sources (uses)	<u>-</u>	<u>30,000</u>	<u>36,000</u>	<u>(66,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(14,811)</u>	<u>20,609</u>	<u>(9,088)</u>	<u>63,496</u>	<u>60,206</u>
FUND BALANCE - Beginning of year	<u>1,178,778</u>	<u>91,234</u>	<u>13,145</u>	<u>351,700</u>	<u>1,634,857</u>
FUND BALANCE - End of year	<u>\$ 1,163,967</u>	<u>\$ 111,843</u>	<u>\$ 4,057</u>	<u>\$ 415,196</u>	<u>\$ 1,695,063</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, 2013**

Net change in fund balances - total governmental funds	\$ 60,206
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	584,883
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(311,441)
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.	11,285
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.	2,364
The payments of long-term debt consumes the current financial resources of governmental funds.	66,527
Change in net position of governmental activities	<u>\$ 413,824</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

ASSETS	ENTERPRISE FUNDS			INTERNAL
	WATER	SEWER	TOTAL	SERVICE
				FUND
CURRENT ASSETS:				
Cash and cash equivalents	\$ 575,366	\$ 554,476	\$ 1,129,842	\$ 40,253
Investments	101,309	103,691	205,000	154,777
Accounts receivable:				
Taxes	-	208	208	-
Customers	25,756	48,383	74,139	248
Due from other funds	593	100,087	100,680	8,138
Inventory	32,840	-	32,840	-
Special assessment receivable - current	-	-	-	-
Total current assets	<u>735,864</u>	<u>806,845</u>	<u>1,542,709</u>	<u>203,416</u>
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	3,005	27,000	30,005	-
Buildings and improvements	121,148	9,400	130,548	-
Equipment, furniture and fixtures	361,983	366,643	728,626	819,927
Distribution and collection system	2,361,810	6,343,263	8,705,073	-
Less - Accumulated depreciation	(926,951)	(4,479,812)	(5,406,763)	(483,832)
Net property and equipment	<u>1,920,995</u>	<u>2,266,494</u>	<u>4,187,489</u>	<u>336,095</u>
Deferred charges:				
Unamortized bond issuance costs	<u>2,400</u>	<u>14,152</u>	<u>16,552</u>	<u>-</u>
Total noncurrent assets	<u>1,923,395</u>	<u>2,280,646</u>	<u>4,204,041</u>	<u>336,095</u>
Total assets	<u>2,659,259</u>	<u>3,087,491</u>	<u>5,746,750</u>	<u>539,511</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	3,590	30,760	34,350	1,825
Accrued interest payable	1,375	1,504	2,879	-
Accrued payroll	1,288	2,989	4,277	344
Due to other funds	701	-	701	98,839
Bonds, notes, and loans payable	<u>35,000</u>	<u>35,146</u>	<u>70,146</u>	<u>-</u>
Total current liabilities	<u>41,954</u>	<u>70,399</u>	<u>112,353</u>	<u>101,008</u>
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	<u>185,000</u>	<u>264,435</u>	<u>449,435</u>	<u>-</u>
Total liabilities	<u>226,954</u>	<u>334,834</u>	<u>561,788</u>	<u>101,008</u>
NET POSITION:				
Invested in capital assets - net of related debt	1,700,995	1,966,913	3,667,908	-
Restricted for debt service	-	4,160	4,160	-
Unrestricted	<u>731,310</u>	<u>781,584</u>	<u>1,512,894</u>	<u>438,503</u>
Total net position	<u>\$ 2,432,305</u>	<u>\$ 2,752,657</u>	<u>\$ 5,184,962</u>	<u>\$ 438,503</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
OPERATING REVENUES:				
Charges for services	\$ 277,382	\$ 395,604	\$ 672,986	\$ 92,295
Charges for services - Bridgewater Township	-	31,616	31,616	-
Connection fees and other charges	3,122	4,287	7,409	-
Total operating revenues	<u>280,504</u>	<u>431,507</u>	<u>712,011</u>	<u>92,295</u>
OPERATING EXPENSES:				
Salaries and wages	71,566	139,236	210,802	21,980
Payroll taxes	5,415	10,608	16,023	1,644
Employee benefits	28,453	52,603	81,056	7,850
Chemicals	4,261	8,664	12,925	-
Operating supplies	5,082	47,477	52,559	5,367
Uniforms	-	765	765	-
Gasoline and oil	-	-	-	18,960
Postage	1,000	1,367	2,367	-
Purchased services - other	5,700	9,226	14,926	377
Purchased services - water testing	1,449	1,800	3,249	-
Purchased services - rodding	-	6,344	6,344	-
Purchased services - sludge removal	-	33,254	33,254	-
Purchased services - engineering	-	870	870	-
Purchased services - audit	1,200	2,800	4,000	500
Permits and fees	820	2,855	3,675	-
Telephone	1,138	4,546	5,684	-
Public utilities	21,318	43,537	64,855	-
Training, education and seminars	-	409	409	-
Memberships	1,862	175	2,037	-
Repairs and maintenance	14,308	4,724	19,032	17,271
Insurance	2,381	1,245	3,626	8,161
Printing	-	270	270	-
Allocation of equipment costs	11,944	10,725	22,669	-
Depreciation	94,560	211,789	306,349	32,292
Total operating expenses	<u>272,457</u>	<u>595,289</u>	<u>867,746</u>	<u>114,402</u>
OPERATING INCOME (LOSS)	<u>8,047</u>	<u>(163,782)</u>	<u>(155,735)</u>	<u>(22,107)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	1,146	1,970	3,116	1,100
Collection of tax assessments	-	45,203	45,203	-
Other income	3,728	6,813	10,541	-
Interest expense	(6,156)	(9,596)	(15,752)	-
Miscellaneous expense	(83)	(100)	(183)	-
Amortization of bond issuance costs	(410)	(1,769)	(2,179)	-
Total non-operating revenues (expenses)	<u>(1,775)</u>	<u>42,521</u>	<u>40,746</u>	<u>1,100</u>
Income (Loss) before capital contributions	6,272	(121,261)	(114,989)	(21,007)
CAPITAL CONTRIBUTIONS	<u>372,864</u>	<u>254,854</u>	<u>627,718</u>	<u>-</u>
Net change in net position	379,136	133,593	512,729	(21,007)
NET POSITION - Beginning of year	<u>2,053,169</u>	<u>2,619,064</u>	<u>4,672,233</u>	<u>459,510</u>
NET POSITION - End of year	<u>\$ 2,432,305</u>	<u>\$ 2,752,657</u>	<u>\$ 5,184,962</u>	<u>\$ 438,503</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, 2013

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 285,257	\$ 438,369	\$ 723,626	\$ 96,330
Payments to suppliers	(99,426)	(173,948)	(273,374)	(67,601)
Payments to employees	(105,489)	(202,562)	(308,051)	(31,233)
Payments (to) from other funds	(6,481)	(84,637)	(91,118)	100,898
Net cash provided (used) by operating activities	<u>73,861</u>	<u>(22,778)</u>	<u>51,083</u>	<u>98,394</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(47,721)	(60,920)	(108,641)	(165,000)
Principal and interest paid on capital debt	(41,375)	(43,184)	(84,559)	-
Proceeds from tax/special assessments	-	45,203	45,203	-
Other receipts (payments)	3,728	6,813	10,541	-
Net cash provided (used) by capital and related financing activities	<u>(85,368)</u>	<u>(52,088)</u>	<u>(137,456)</u>	<u>(165,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>1,146</u>	<u>1,970</u>	<u>3,116</u>	<u>1,100</u>
Net increase (decrease) in cash and cash equivalents	(10,361)	(72,896)	(83,257)	(65,506)
Balances - beginning of year	<u>687,036</u>	<u>731,063</u>	<u>1,418,099</u>	<u>260,536</u>
Balances - end of year	<u>\$ 676,675</u>	<u>\$ 658,167</u>	<u>\$ 1,334,842</u>	<u>\$ 195,030</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 8,047	\$ (163,782)	\$ (155,735)	\$ (22,107)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	94,560	211,789	306,349	32,292
Change in assets and liabilities				
Receivables - net	4,753	6,862	11,615	4,035
Due from other funds	5,477	(82,819)	(77,342)	2,059
Inventories	(2,388)	-	(2,388)	-
Accounts and other payables	(24,356)	7,215	(17,141)	(16,965)
Due to other funds	(11,958)	(1,818)	(13,776)	98,839
Accrued expenses	(274)	(225)	(499)	241
Net cash provided by operating activities	<u>\$ 73,861</u>	<u>\$ (22,778)</u>	<u>\$ 51,083</u>	<u>\$ 98,394</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	<u>EMPLOYEE INSURANCE FUND</u>	<u>SICK PAY BENEFIT FUND</u>	<u>AGENCY FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 10,639	\$ -	\$ 24,838
Investments	35,906	53,657	
Accounts receivable - taxes	-	-	2,642
Due from other funds	<u>1,451</u>	<u>-</u>	<u>-</u>
Total assets	<u>47,996</u>	<u>53,657</u>	<u>\$ 27,480</u>
LIABILITIES			
Accounts payable	101	-	\$ 8
Accrued leave time	-	24,126	-
Due to other funds	-	-	1,472
Advances from other funds	<u>-</u>	<u>-</u>	<u>26,000</u>
Total liabilities	<u>101</u>	<u>24,126</u>	<u>\$ 27,480</u>
NET POSITION			
Held in trust for employee benefits	<u>\$ 47,895</u>	<u>\$ 29,531</u>	

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

VILLAGE OF MANCHESTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	EMPLOYEE INSURANCE FUND	SICK PAY BENEFIT FUND
ADDITIONS		
Employer contributions	\$ 9,688	\$ -
Interest income	108	305
Total additions	9,796	305
DEDUCTIONS		
Benefits	6,064	171
Change in net assets	3,732	134
Net position - beginning of year	44,163	29,397
Net position - end of year	\$ 47,895	\$ 29,531

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

VILLAGE OF MANCHESTER
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JUNE 30, 2013

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VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS -

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

B. REPORTING ENTITY -

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

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

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

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

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS -

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

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 focus on net income similar to the private sector.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Additionally, the Village reports the following fund types:

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

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

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

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

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

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

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue in the General Fund, and Fuel Tax revenues in the Major and Local Street Funds.

G. INVENTORIES -

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

H. PREPAID EXPENSES -

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

I. CAPITAL ASSETS -

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the liability included \$32,079 unpaid leave benefits reported in the Governmental Funds. All leave pay is accrued when incurred in the Government-Wide and Fiduciary Fund Financial Statements.

L. LONG-TERM OBLIGATIONS -

In the Government Wide Financial Statements and Proprietary Fund types in the fund financial statements, long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund type statement of net position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

M. ESTIMATES -

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

N. INTERFUND TRANSACTIONS -

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION -

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

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

BUDGET VIOLATIONS -

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

FUND/DEPARTMENT	FINAL AMENDED BUDGET	ACTUAL	(EXCESS BUDGET VARIANCE)
GENERAL FUND			
Public Safety	\$ 478,100	\$ 478,938	\$ (838)
 MAJOR STREET FUND			
Administration	\$ 40,080	\$ 40,288	\$ (208)

NOTE 3 - PROPERTY TAXES:

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

The Village's operating tax rate is currently 15.7587 mills and is distributed as follows:

General Operation	10.7944
Highways and Streets	2.2612
Parks and Recreation	0.6019
Debt Service	2.1012
Total	15.7587

The taxable value of real and personal property located in the Village was \$64,881,404.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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)	2,421,799
Uninsured and uncollateralized	146,336
	\$ 2,568,360
 Reported in financial statements:	
Governmental funds	\$ 1,403,041
Proprietary funds (Business-type)	1,129,842
Fiduciary funds	35,477
	\$ 2,568,360
 Component Unit: DDA	
Insured	\$ -
Uninsured and uncollateralized	7,488
	\$ 7,488

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, 2013, the Village had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Certificate of Deposit - Insured	12/12/13	\$ 222,290	AAA
Certificate of Deposit - Insured	5/8/14	23,454	AAA
Certificate of Deposit - Insured	12/12/13	105,318	AAA
Certificate of Deposit - Insured	11/7/13	35,906	AAA
Certificate of Deposit - Insured	2/6/14	53,657	AAA
Certificate of Deposit - Insured	5/16/14	101,309	AAA
Certificate of Deposit - Insured	11/7/13	103,691	AAA
Certificate of Deposit - Insured	11/7/14	154,777	AAA
		\$ 800,402	

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Trust & Agency	\$ 38
	-	Tax Collection	936
	-	Water	15
	-	Operational Clearing	136
	<u>1,125</u>		<u>1,125</u>
Major Street	-	General	412
	-	Municipal Street	30,000
	<u>30,412</u>		<u>30,412</u>
Local Street	-	General	263
	-	Major Street	300
	-	Municipal Street	5,000
	<u>5,563</u>		<u>5,563</u>
Subtotal	<u>37,100</u>	Subtotal	<u>37,100</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (Continued)

RECEIVABLES		PAYABLES	
Carryover	\$ 37,100	Carryover	\$ 37,100
Parks & Recreation	-	General	110
	-	Tax Collection	43
	153		153
Municipal Street	161	Tax Collection	161
Water	593	General	593
Sewer	-	General	1,088
	-	Equipment	98,840
	-	Tax Collection	51
	-	Operational Clearing	107
	100,086		100,086
Equipment	-	General	2,808
	-	Major Street	1,488
	-	Local Street	2,655
	-	Parks	500
	-	Water	687
	8,138		8,138
Employee Insurance	1,451	General	1,451
Total	\$ 147,682	Total	\$ 147,682

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – CAPITAL ASSETS:

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

	<u>7/1/2012</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>6/30/2013</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 132,591	\$ -	\$ -	\$ 132,591
Capital assets being depreciated				
Land improvements	258,092	568,198	-	826,290
Buildings and improvements	2,263,781	10,970	-	2,274,751
Equipment, furniture and fixtures	997,536	170,713	110,399	1,057,850
Infrastructure - roads	4,024,728	-	-	4,024,728
Subtotal	<u>7,544,137</u>	<u>749,881</u>	<u>110,399</u>	<u>8,183,619</u>
Less accumulated depreciation for				
Land improvements	135,773	21,564	-	157,337
Buildings and improvements	709,360	65,521	-	774,881
Equipment, furniture and fixtures	688,917	42,734	110,399	621,252
Infrastructure - roads	<u>2,004,225</u>	<u>181,622</u>	<u>-</u>	<u>2,185,847</u>
Subtotal	<u>3,538,275</u>	<u>311,441</u>	<u>110,399</u>	<u>3,739,317</u>
Net capital assets being depreciated	<u>4,005,862</u>	<u>438,440</u>	<u>-</u>	<u>4,444,302</u>
Capital assets - net of depreciation	<u>\$ 4,138,453</u>	<u>\$ 438,440</u>	<u>\$ -</u>	<u>\$ 4,576,893</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – CAPITAL ASSETS: (Continued)

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

	<u>7/10/2012</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>6/30/2013</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Capital assets being depreciated				
Buildings and improvements	130,548	-	-	130,548
Equipment, furniture and fixtures	711,531	17,095	-	728,626
Distribution and collections system	7,985,809	719,264	-	8,705,073
Subtotal	<u>8,827,888</u>	<u>736,359</u>	<u>-</u>	<u>9,564,247</u>
Less accumulated depreciation for				
Buildings and improvements	33,199	10,806	-	44,005
Equipment, furniture and fixtures	340,234	48,536	-	388,770
Distribution and collection system	4,726,981	247,007	-	4,973,988
Subtotal	<u>5,100,414</u>	<u>306,349</u>	<u>-</u>	<u>5,406,763</u>
Net capital assets being depreciated	<u>3,727,474</u>	<u>430,010</u>	<u>-</u>	<u>4,157,484</u>
Capital assets - net of depreciation	<u>\$ 3,757,479</u>	<u>\$ 430,010</u>	<u>\$ -</u>	<u>\$ 4,187,489</u>

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

GOVERNMENTAL ACTIVITIES	<u>\$ 311,441</u>
BUSINESS TYPE ACTIVITES	
Water	\$ 94,569
Sewer	<u>211,780</u>
Total business type activities	<u>\$ 306,349</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the Village's required contributions amounted to \$26,913 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2013, was \$476,870 and total payroll subject to retirement benefits was \$447,627.

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, 2013, the Village has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2012. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities over a period not to exceed thirty years.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 – OTHER POST RETIREMENT BENEFITS: (Continued)

The valuation's computed contribution is summarized as follows:

Annual required contribution (recommended)	<u>\$ 21,928</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, 2013.

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

Valuation as of July 1, 2012:

Present Value of Future Benefits:	
Retirees	\$ 28,923
Active Members	<u>272,629</u>
Total Present Value of Future Benefits	<u>\$ 301,552</u>
Actuarial Accrued Liability	\$ 160,930
Actuarial Value of Assets	<u>74,176</u>
Unfunded Actuarial Accrued Liability	<u>\$ 86,754</u>

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

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

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 - CHANGES IN LONG-TERM DEBT:

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

	<u>DEBT OUT- STANDING 7/1/2012</u>	<u>ADDITIONS OF NEW DEBT</u>	<u>RETIREMENTS AND REPAYMENTS</u>	<u>DEBT OUT- STANDING 6/30/2013</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
2010 General Obligation Bonds, \$795,000 maturing serially in annual amounts ranging from \$56,458 to \$86,485 at an interest rate of 2.0% to 4.0%.	\$ 661,945	\$ -	\$ (66,527)	\$ 595,418
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%.	333,055	-	(33,473)	299,582
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%	255,000	-	(35,000)	220,000
Total business type activities	<u>\$ 588,055</u>	<u>\$ -</u>	<u>\$ (68,473)</u>	<u>\$ 519,582</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2014	\$ 69,854	\$ 17,964
2015	69,853	16,567
2016	73,180	14,995
2017	76,506	13,056
2018	79,833	10,761
Thereafter	226,192	15,926
	\$ 595,418	\$ 89,269

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

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2014	70,146	14,539
2015	70,146	12,961
2016	71,820	11,295
2017	73,494	9,444
2018	80,167	7,414
Thereafter	153,809	9,013
	\$ 519,582	\$ 64,666

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ -	\$ 66,000
Major Street	30,000	-
Local Street	36,000	-
Total	<u>\$ 66,000</u>	<u>\$ 66,000</u>

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

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes - Property taxes	\$ 759,190	\$ 759,190	\$ 760,932	\$ 1,742
Franchise fees	23,000	25,300	25,986	686
Licenses and permits	1,800	4,230	4,350	120
Fees and fines	3,000	5,650	5,872	222
Intergovernmental				
Sales tax	165,600	172,900	176,128	3,228
State liquor control	1,600	1,600	1,709	109
State Metro Act	7,000	7,000	7,722	722
Total	<u>174,200</u>	<u>181,500</u>	<u>185,559</u>	<u>4,059</u>
Charges for services				
Reimbursed services	2,100	1,950	1,931	(19)
Garbage pickup	94,180	97,800	98,059	259
Total	<u>96,280</u>	<u>99,750</u>	<u>99,990</u>	<u>240</u>
Rental income	87,300	88,750	88,769	19
Interest income	4,190	2,410	2,761	351
Capital contributions	172,570	465,450	451,096	(14,354)
Other revenues	-	7,975	8,842	867
Total Revenues	<u>\$ 1,321,530</u>	<u>\$ 1,640,205</u>	<u>\$ 1,634,157</u>	<u>\$ (6,048)</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
LEGISLATIVE:				
VILLAGE COUNCIL:				
Salaries and wages	\$ -	\$ -	\$ 33,109	\$ -
Payroll taxes	-	-	2,502	-
Employee benefits	-	-	8,686	-
Operating supplies	-	-	167	-
Printing	-	-	17	-
Memberships	-	-	1,778	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total legislative	50,430	50,430	49,259	1,171
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	84,335	-
Payroll taxes	-	-	6,376	-
Employee benefits	-	-	23,753	-
Operating supplies	-	-	3,575	-
Training, education and seminars	-	-	174	-
Postage	-	-	3,197	-
Telephone	-	-	4,957	-
Memberships	-	-	345	-
Purchased services - legal	-	-	2,182	-
Purchased services - audit	-	-	4,700	-
Purchased services - other	-	-	4,524	-
Garbage services	-	-	88,062	-
Printing	-	-	154	-
Insurance	-	-	14,595	-
Travel	-	-	1,791	-
Repairs and maintenance	-	-	2,345	-
Miscellaneous	-	-	27	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	252,650	251,350	245,092	6,258

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
BUILDING AND GROUNDS:				
Salaries and wages	-	-	9,402	-
Payroll taxes	-	-	715	-
Employee benefits	-	-	2,475	-
Operating supplies	-	-	3,822	-
Public utilities	-	-	49,699	-
Insurance	-	-	10,828	-
Repairs and maintenance	-	-	4,690	-
Purchased services - cleaning	-	-	23,285	-
Purchased services - other	-	-	4,646	-
Capital outlay	-	-	575,668	-
Allocation of equipment costs	-	-	9,064	-
Total	381,510	756,900	694,294	62,606
Total general government	634,160	1,008,250	939,386	68,864
PUBLIC WORKS:				
DEPARTMENT OF PUBLIC WORKS:				
Operating supplies	-	-	666	-
Uniforms	-	-	1,359	-
Purchased services - other	-	-	974	-
Telephone	-	-	1,910	-
Memberships	-	-	251	-
Total	7,850	7,850	5,160	2,690
TREE REMOVAL AND REPLACEMENT:				
Salaries and wages	-	-	1,410	-
Payroll taxes	-	-	106	-
Employee benefits	-	-	541	-
Purchased services - other	-	-	4,800	-
Allocation of equipment costs	-	-	1,408	-
Total	10,450	10,100	8,265	1,835
SIDEWALK CONSTRUCTION:				
Salaries and wages	-	-	59	-
Payroll taxes	-	-	4	-
Employee benefits	-	-	19	-
Allocation of equipment costs	-	-	175	-
Total	910	760	257	503
LIGHTING:				
Street lighting	71,000	54,000	53,436	564

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
PUBLIC WORKS: (Continued)				
RECYCLING:				
Salaries and wages	-	-	9,155	-
Payroll taxes	-	-	686	-
Employee benefits	-	-	2,843	-
Operating supplies	-	-	232	-
Allocation of equipment costs	-	-	10,214	-
Total	<u>26,370</u>	<u>26,370</u>	<u>23,130</u>	<u>3,240</u>
 Total public works	<u>116,580</u>	<u>99,080</u>	<u>90,248</u>	<u>8,832</u>
 PUBLIC SAFETY:				
POLICE ADMINISTRATION:				
Purchased services - Police	-	-	475,108	-
Operating supplies	-	-	590	-
Purchased services - Legal	-	-	3,240	-
Total	<u>475,100</u>	<u>478,100</u>	<u>478,938</u>	<u>(838)</u>
 PLANNING COMMISSION:				
Salaries and wages	-	-	978	-
Payroll taxes	-	-	75	-
Employee benefits	-	-	24	-
Purchased services - planning	-	-	4,405	-
Training, education and seminars	-	-	55	-
Total	<u>10,320</u>	<u>10,320</u>	<u>5,537</u>	<u>4,783</u>
 Total public safety	<u>485,420</u>	<u>488,420</u>	<u>484,475</u>	<u>3,945</u>
 DEBT SERVICE:				
MUNICIPAL BOND EXPENDITURES:				
Bond principal payments	-	-	66,528	-
Interest	-	-	19,072	-
Tax refunds	-	-	-	-
Total debt service	<u>85,950</u>	<u>85,950</u>	<u>85,600</u>	<u>350</u>
 Total expenditures	<u>1,372,540</u>	<u>1,732,130</u>	<u>1,648,968</u>	<u>83,162</u>
 Net change in fund balances	(51,010)	(91,925)	(14,811)	77,114
 Fund balance, beginning of year	<u>1,178,778</u>	<u>1,178,778</u>	<u>1,178,778</u>	-
 Fund balance, end of year	<u>\$ 1,127,768</u>	<u>\$ 1,086,853</u>	<u>\$ 1,163,967</u>	<u>\$ 77,114</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, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 93,000	\$ 110,000	\$ 113,201	\$ 3,201
Interest income	50	100	105	5
Other revenues	-	1,400	1,417	17
Total revenues	<u>93,050</u>	<u>111,500</u>	<u>114,723</u>	<u>3,223</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	25,711	-
Payroll taxes	-	-	1,911	-
Employee benefits	-	-	9,901	-
Repairs and maintenance	-	-	363	-
Insurance	-	-	1,852	-
Purchased services - other	-	-	150	-
Purchased services - audit	-	-	400	-
Total General Government	<u>39,690</u>	<u>40,080</u>	<u>40,288</u>	<u>(208)</u>
PUBLIC WORKS:				
STREET MAINTENANCE:				
Salaries and wages	-	-	22,790	-
Payroll taxes	-	-	1,717	-
Employee benefits	-	-	8,659	-
Operating supplies	-	-	1,475	-
Purchased services - other	-	-	300	-
Street patching	-	-	1,250	-
Allocation of equipment costs	-	-	15,390	-
Total	<u>60,580</u>	<u>63,130</u>	<u>51,581</u>	<u>11,549</u>
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	185	-
Payroll taxes	-	-	14	-
Employee benefits	-	-	72	-
Operating supplies	-	-	20	-
Purchased services - engineering	-	-	3,147	-
Allocation of equipment costs	-	-	67	-
Total	<u>1,630</u>	<u>3,580</u>	<u>3,505</u>	<u>75</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	2,960	-
Payroll taxes	-	-	223	-
Employee benefits	-	-	1,123	-
Operating supplies	-	-	9,270	-
Allocation of equipment costs	-	-	5,380	-
Total	<u>24,780</u>	<u>19,080</u>	<u>18,956</u>	<u>124</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, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES (Continued):				
PUBLIC WORKS: (Continued)				
TRAFFIC SERVICES:				
Salaries and wages	-	-	962	-
Payroll taxes	-	-	51	-
Employee benefits	-	-	293	-
Operating supplies	-	-	2,366	-
Street striping	-	-	5,792	-
Allocation of equipment costs	-	-	320	-
Total	<u>7,500</u>	<u>13,300</u>	<u>9,784</u>	<u>3,516</u>
Total public works	<u>94,490</u>	<u>99,090</u>	<u>83,826</u>	<u>15,264</u>
Total expenditures	<u>134,180</u>	<u>139,170</u>	<u>124,114</u>	<u>15,056</u>
Excess of revenues over expenditures before other financing sources (uses)	(41,130)	(27,670)	(9,391)	18,279
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>41,130</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	2,330	20,609	18,279
FUND BALANCE, BEGINNING OF YEAR	<u>91,234</u>	<u>91,234</u>	<u>91,234</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 91,234</u>	<u>\$ 93,564</u>	<u>\$ 111,843</u>	<u>\$ 18,279</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, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 38,000	\$ 45,000	\$ 45,729	\$ 729
Interest income	100	-	16	16
Other revenues	-	1,200	1,267	67
Total revenues	<u>38,100</u>	<u>46,200</u>	<u>47,012</u>	<u>812</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	8,203	-
Payroll taxes	-	-	613	-
Employee benefits	-	-	3,146	-
Purchased services - other	-	-	150	-
Purchased services - audit	-	-	500	-
Insurance	-	-	3,335	-
Repairs and maintenance	-	-	364	-
Total General Government	<u>16,530</u>	<u>16,530</u>	<u>16,311</u>	<u>219</u>
PUBLIC WORKS:				
STREET MAINTENANCE:				
Salaries and wages	-	-	21,968	-
Payroll taxes	-	-	1,660	-
Employee benefits	-	-	8,448	-
Operating supplies	-	-	1,058	-
Purchased services - other	-	-	1,147	-
Street patching	-	-	1,250	-
Allocation of equipment costs	-	-	15,874	-
Total	<u>69,120</u>	<u>69,120</u>	<u>51,405</u>	<u>17,715</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	2,641	-
Payroll taxes	-	-	199	-
Employee benefits	-	-	1,049	-
Operating supplies	-	-	9,272	-
Allocation of equipment costs	-	-	5,296	-
Total	<u>25,160</u>	<u>18,610</u>	<u>18,457</u>	<u>153</u>
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	59	-
Payroll taxes	-	-	4	-
Employee benefits	-	-	25	-
Purchased services - engineering	-	-	1,350	-
Allocation of equipment costs	-	-	19	-
Total	<u>1,500</u>	<u>1,500</u>	<u>1,457</u>	<u>43</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, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES: (Continued)				
PUBLIC WORKS: (Continued)				
TRAFFIC SERVICES:				
Salaries and wages	-	-	610	-
Payroll taxes	-	-	25	-
Employee benefits	-	-	125	-
Operating supplies	-	-	3,303	-
Allocation of equipment costs	-	-	407	-
Total	<u>6,770</u>	<u>6,770</u>	<u>4,470</u>	<u>2,300</u>
Total public works	<u>102,550</u>	<u>96,000</u>	<u>75,789</u>	<u>20,211</u>
Total expenditures	<u>119,080</u>	<u>112,530</u>	<u>92,100</u>	<u>20,430</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(80,980)</u>	<u>(66,330)</u>	<u>(45,088)</u>	<u>21,242</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>80,980</u>	<u>66,330</u>	<u>36,000</u>	<u>(30,330)</u>
NET CHANGE IN FUND BALANCE	-	-	(9,088)	(9,088)
FUND BALANCE, BEGINNING OF YEAR	<u>13,145</u>	<u>13,145</u>	<u>13,145</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,145</u>	<u>\$ 13,145</u>	<u>\$ 4,057</u>	<u>\$ (9,088)</u>

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

VILLAGE OF MANCHESTER
ADDITIONAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

VILLAGE OF MANCHESTER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS		
	MUNICIPAL STREET	PARKS AND RECREATION	TOTAL
ASSETS			
Cash and cash equivalents	\$ 274,173	\$ 71,154	\$ 345,327
Investments	105,319	-	105,319
Accounts receivable - taxes	650	173	823
Prepaid expenses	-	-	-
Due from other funds	161	152	313
	<u>\$ 380,303</u>	<u>\$ 71,479</u>	<u>\$ 451,782</u>
Total assets	<u>\$ 380,303</u>	<u>\$ 71,479</u>	<u>\$ 451,782</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ -	\$ 686	\$ 686
Accrued payroll	-	400	400
Due to other funds	35,000	500	35,500
Total liabilities	<u>35,000</u>	<u>1,586</u>	<u>36,586</u>
FUND BALANCE:			
Restricted for:			
Highways and streets	345,303	-	345,303
Recreational and cultural	-	69,893	69,893
Total fund balance	<u>345,303</u>	<u>69,893</u>	<u>415,196</u>
Total liabilities and fund balance	<u>\$ 380,303</u>	<u>\$ 71,479</u>	<u>\$ 451,782</u>

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

VILLAGE OF MANCHESTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS		
	MUNICIPAL STREET	PARKS AND RECREATION	TOTAL
REVENUES:			
Taxes and penalties	\$ 141,353	\$ 37,626	\$ 178,979
Interest income	633	113	746
Contributions	-	3,624	3,624
Other revenue	-	100	100
Total revenues	141,986	41,463	183,449
EXPENDITURES:			
Salaries and wages	-	18,744	18,744
Payroll taxes	-	1,411	1,411
Employee benefits	-	5,288	5,288
Operating supplies	-	2,005	2,005
Purchased services - other	-	6,867	6,867
Purchased services - audit	-	400	400
Repairs and maintenance	-	363	363
Public utilities	-	1,907	1,907
Insurance	-	1,753	1,753
Allocation of equipment costs	-	6,000	6,000
Capital outlay	-	9,215	9,215
Total expenditures	-	53,953	53,953
Excess of revenues over expenditures before other financing sources (uses)	141,986	(12,490)	129,496
OTHER FINANCING SOURCES (USES):			
Operating transfers (out)	(66,000)	-	(66,000)
NET CHANGE IN FUND BALANCES	75,986	(12,490)	63,496
FUND BALANCE - Beginning of year	269,317	82,383	351,700
FUND BALANCE - End of year	\$ 345,303	\$ 69,893	\$ 415,196

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

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2013

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						6/30/2012	6/30/2013	
<u>BUSINESS TYPE ACTIVITIES</u>								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Sewer - Series 2010	6/22/2010	\$ 400,000	2.00%	5/1/2014	\$ 35,146	\$ 35,146	\$ -	\$ 9,039
			2.25%	5/1/2015	35,146	35,146	35,146	8,336
			2.65%	5/1/2016	36,820	36,820	36,820	7,545
			3.00%	5/1/2017	38,494	38,494	38,494	6,569
			3.15%	5/1/2018	40,167	40,167	40,167	5,414
			3.40%	5/1/2019	41,841	41,841	41,841	4,149
			3.65%	5/1/2020	43,515	43,515	43,515	2,726
			4.00%	5/1/2021	28,453	28,453	28,453	1,138
Total Unlimited Tax General Obligation Bonds						<u>\$ 299,582</u>	<u>\$ 264,436</u>	<u>\$ 44,916</u>
<u>MICHIGAN MUNICIPAL BOND AUTHORITY</u>								
Michigan Drinking Water Revolving Fund	9/29/1998	\$ 620,000	2.50%	4/1/2014	\$ 35,000	\$ 35,000	\$ -	\$ 5,500
			2.50%	4/1/2015	35,000	35,000	35,000	4,625
			2.50%	4/1/2016	35,000	35,000	35,000	3,750
			2.50%	4/1/2017	35,000	35,000	35,000	2,875
			2.50%	4/1/2018	40,000	40,000	40,000	2,000
			2.50%	4/1/2019	40,000	40,000	40,000	1,000
Total Michigan Drinking Water Revolving Fund Program						<u>\$ 220,000</u>	<u>\$ 185,000</u>	<u>\$ 19,750</u>
Total Water and Sewer Enterprise Funds						<u>\$ 519,582</u>	<u>\$ 449,436</u>	<u>\$ 64,666</u>
<u>GOVERNMENTAL ACTIVITIES</u>								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Sewer - Series 2010	6/22/2010	\$ 795,000	2.00%	5/1/2014	\$ 69,854	\$ 69,854	\$ -	\$ 17,964
			2.25%	5/1/2015	69,854	69,854	69,854	16,567
			2.65%	5/1/2016	73,180	73,180	73,180	14,995
			3.00%	5/1/2017	76,506	76,506	76,506	13,056
			3.15%	5/1/2018	79,833	79,833	79,833	10,761
			3.40%	5/1/2019	83,159	83,159	83,159	8,246
			3.65%	5/1/2020	86,485	86,485	86,485	5,419
			4.00%	5/1/2021	56,548	56,547	56,547	2,261
Total General Government Activity						<u>\$ 595,418</u>	<u>\$ 525,564</u>	<u>\$ 89,269</u>

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

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

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION OF AUDITOR/VILLAGE RESPONSIBILITY

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester for the year ended June 30, 2013, and have issued our report thereon dated December 12, 2013. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated October 7, 2013, 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 2013. We noted no transactions entered into by the Village of Manchester during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 12, 2013.

Village Council
Village of Manchester
Page Three

Management Consultations with Other Independent Accountants

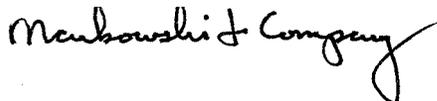
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Village of Manchester’s financial statements or a determination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

Other Audit Findings or Issues

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

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

Very truly yours,



MARKOWSKI & COMPANY CPAs
December 12, 2013

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

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

WWW.MARKOWSKICPAS.COM

RONALD L. MARKOWSKI, C.P.A.

DOUGLAS E. ATKINS, C.P.A.

SCOTT O. McLANE

RANDALL D. BIDDIX, C.P.A.

FOUNDING PARTNER:

K. LAVERNE MARKOWSKI, CPA (1961-2006)

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Manchester Village Council
Manchester, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Manchester's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Manchester's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Manchester's internal control.

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

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

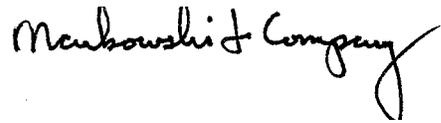
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Village of Manchester's internal control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

Segregation of Duties

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

Village of Manchester
Manchester, Michigan
Page 2

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

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

Markowski & Company, CPAs
December 12, 2013

VILLAGE OF MANCHESTER
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

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.