

VILLAGE OF MANCHESTER
WASHTENAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDING JUNE 30, 2009

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and remaining fund information, which collectively comprise the basic financial statements, of the Village of Manchester, Michigan, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

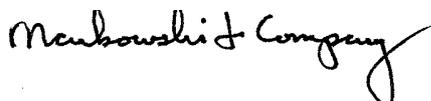
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining,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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and remaining fund information of the Village of Manchester at June 30, 2009, and the changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Yours truly,



MARKOWSKI & COMPANY, CPAs
October 16, 2009

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, 2009. We encourage readers to consider the information presented here.

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

The Village as a Whole

The Village has combined net assets of \$10,465,247. Of this amount, \$3,194,981 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$6,929,539 reflect the Village's investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructures consisting of water and sewer lines and roads and streets); less any related debt used to acquire those assets still outstanding.

The Village's total net assets decreased \$77,962 in 2009. Governmental activities net assets decreased \$89,925 and Business-Type activities increased \$11,963 respectively.

In a condensed format, the following table shows net assets as of June 30, 2009 and 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current Assets	\$ 1,905,556	\$ 1,761,052	\$ 1,731,815	\$ 1,890,650	\$ 3,637,371	\$ 3,651,702
Noncurrent Assets	4,717,085	4,925,046	4,559,368	4,600,974	9,276,453	9,526,020
Total Assets	6,622,641	6,686,098	6,291,183	6,491,624	12,913,824	13,177,722
Current Liabilities	217,846	131,378	266,449	268,853	484,295	400,231
Long-Term Debt	820,000	880,000	1,144,282	1,354,282	1,964,282	2,234,282
Total Liabilities	1,037,846	1,011,378	1,410,731	1,623,135	2,448,577	2,634,513
Net Assets						
Invested in Capital Assets -						
Net of Related Debt	3,827,085	3,980,046	3,102,454	2,861,834	6,929,539	6,841,880
Restricted for Debt Service	53,648	56,673	264,192	305,548	317,840	362,221
Restricted for Capital Projects	22,887	22,668	-	-	22,887	22,668
Unrestricted	1,681,175	1,615,333	1,513,806	1,701,107	3,194,981	3,316,440
Total Net Assets	\$ 5,584,795	\$ 5,674,720	\$ 4,880,452	\$ 4,868,489	\$ 10,465,247	\$ 10,543,209

Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net assets as of June 30, 2009 and 2008:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Program Revenues						
Charges for Services	\$ 211,418	\$ 216,848	\$ 670,417	\$ 716,138	\$ 881,835	\$ 932,986
Operating grants and Contributions	318,800	322,176	-	-	318,800	322,176
Capital grants and Contributions	114,970	804,118	239,150	273,616	354,120	1,077,734
General Revenues						
Property Taxes	663,563	644,529	-	-	663,563	644,529
State-Shared Revenues	199,323	207,652	-	-	199,323	207,652
Interest Income	24,550	71,646	36,561	75,355	61,111	147,001
Franchise Fees	22,956	22,270	-	-	22,956	22,270
Other Income	815	16,650	7,366	2,018	8,181	18,668
Total Revenues	1,556,395	2,305,889	953,494	1,067,127	2,509,889	3,373,016
Program Expenses						
Legislative	62,348	64,989	-	-	62,348	64,989
General Government	378,521	358,988	-	-	378,521	358,988
Public Safety	457,108	450,659	-	-	457,108	450,659
Public Works	341,058	311,983	-	-	341,058	311,983
Recreational and Cultural	37,048	31,712	-	-	37,048	31,712
Interest on Long-Term Debt	52,430	54,963	-	-	52,430	54,963
Depreciation	317,807	288,189	-	-	317,807	288,189
Water and Sewer	-	-	941,531	935,363	941,531	935,363
Total Expenses	1,646,320	1,561,483	941,531	935,363	2,587,851	2,496,846
Change in Net Assets	\$ (89,925)	\$ 744,406	\$ 11,963	\$ 131,764	\$ (77,962)	\$ 876,170

Government Activities

The Village's total governmental revenues decreased by \$749,494 largely as a result of prior year capital contributions from federal and state agencies as the Village took advantage of a grant for street construction.

Property tax revenues increase slightly (3%) as personal property increased as commercial ventures purchased or transferred equipment to the Village's industrial park. Real property taxable values (property) continued to decline as the economy continues to suffer and real property values continue to decline.

State shared revenues continue to decline (4%) as the State of Michigan continues to decrease revenue sharing with local governments.

Governmental expenses increased by 5%. Significant increases in public works (9%) were attributable to winter maintenance as salt prices increased dramatically, depreciation (9%) on roads and streets, and public safety (1%) as contracted police services continue to rise. The Village does have room to increase its millage for tax revenues but has chosen not to do so.

Management's Discussion and Analysis

Business Type Activities

The Village's business-type activities consist of its Water and Sewer funds. During 2009, net assets increased by \$11,963. Operating revenues decreased by 7% as water usage decreased. The Village continues to contract with a neighboring township to run their waste water treatment plant. This has increased the revenues with little to no additional cost to the Village. The Village also continued implementation of the five-year plan increasing usage rates to maintain the overall health of the Water and Sewer system.

Expenses increased by 1% as management continues to look for cost savings to reduce costs as revenues decline.

The Village's Funds

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

The General Fund, the major governmental fund, relates to the general governmental activities for the Village, which is financed by property tax levies, by distribution of state shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance increased by \$38,559. Total revenues remained flat, as tax revenues for operating purposes saw a small increase as personal property values increase within the Village. Expenditures increased by 4% as needed tree removal and sidewalk improvements took place. Public utilities also increased as rates increased.

The Water and Sewer Funds are used to account for business-like activities provided to the Village's residents. The Village charges for water and sewer service and other related goods and services. Net Assets increased \$11,963. Operating revenues decreased 7% as water usage decreased significantly. The Village continues to contract with a neighboring township to run their waste water treatment plant. This has increased the revenues with little to not additional cost to the Village. The Village also continued implementation of the five-year plan increasing usage rates to maintain the overall health of the Water and Sewer system.

Operating expenditures in these funds increased by 5% due to increased costs in repairs and maintenance to the existing utility system, and increased public utility costs.

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 Major Street Fund's fund balance decreased by \$92,100. The fund returned \$55,000 to the Municipal Street Fund for excess funds transferred in prior years for road construction. The Local Street Fund's fund balance increased by \$14,344 which includes a transfer from the Municipal Street Fund of \$113,000 as costs for maintaining local streets were more than state revenues received. The Village levies a municipal street tax in order to maintain the stability of these funds.

General Fund Budgetary Highlights

The original budget adopted for the Village's General Fund projected a \$4,500 increase in fund balance. As the year progressed, and actual events took place an amended budget was adopted to reflect the changing financial picture.

The final General Fund amended budget projected a \$9,500 increase in fund balance as changes were made as needed. Actual fund balance increased by \$38,559 which exceeded budgeted expectations.

Administration correctly anticipated stagnant tax revenues and flat state shared revenues. The Village continues to cut cost 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 maintaining and meeting all of its debt obligations. Major improvements to the distribution and collection systems were made as the Village installed a new electronic meter system.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 166,315	\$ 30,005	\$ 196,320
Buildings and improvements	1,703,506	13,424	1,716,930
Equipment, furniture and fixtures	286,880	499,488	786,368
Infrastructure	2,550,384	-	2,550,384
Distribution and collection system	-	3,913,819	3,913,819
Total	<u>\$ 4,707,085</u>	<u>\$ 4,456,736</u>	<u>\$ 9,163,821</u>

At the end of the year the Village had total debt outstanding of \$2,234,282.

Economic Factors and Next Year's Budgets and Rates

Despite the difficult times the State of Michigan is encountering, the future outlook for The Village of Manchester remains stable. The economic climate in the State of Michigan continues to challenge legislators with budget reductions and cutbacks in state shared revenues that are provided to communities for local services. We will continue to review operations, project future taxable values and budget according to our projections while continuing to challenge the ways we operate.

Our Standard and Poor's rating to meet our obligations increased from "BBB+" to "AA-" during the current fiscal year. This is due to the fact that we have maintained and increased fund balances with expense controls during difficult times. The financial resources have been managed appropriately and have put the Village in an excellent position to continue to plan for improvements and position our community for stronger economic periods.

The Village of Manchester will hold the line on taxes and millage rates for the 2009/2010 budget year. Management and staff plan to pursue cost cutting measures and will keep the general millage rate at the same rate as last year. The Village will continue to operate below the maximum millage rates as set by the Headlee Amendment and Proposal legislation. All services will be maintained with some adjustments to the amount of replacement work in sidewalks, trees & streets. We will encourage collaboration, to provide for police protection and look for new ways to stretch those dollars further.

The delivery of water and sewer services is one of the Village's most important tasks. This year the water tower will be repainted and other upgrades will take place at the water tower. All items in the current year of our five year capital and maintenance plan will be completed. Due to poor economic times, this year we will postpone a raise in water and sewer rates that were projected in our five-year plan. We will continue to review rates on a year-to-year basis.

The proposed final plan for our DDA project has been completed and sent to the state for review. We will continue to monitor its progress and work with the state. This project will reconstruct M-52 through the Village limits and adds enhancements in the commercial area. We hope it will be approved by MDOT for the 2011 construction year.

The Village government continues to monitor the current state of the economy in Washtenaw County. We will budget according to the trend of housing value reductions and project these changes over the next few years and budget accordingly. We will remain flexible to be able to react to current circumstances while still planning for the future. Sound fiscal policies will guide financial decisions and continue to sustain fund balances. The Village of Manchester is committed to the community and its residents by containing costs and maintaining services.

Management's Discussion and Analysis

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. 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, 2009

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,704,505	\$ 1,176,035	\$ 2,880,540	\$ 7,616
Investments	-	360,838	360,838	-
Accounts receivable:				
Taxes	1,074	213	1,287	9
Customers	28,945	83,819	112,764	-
Other	41,115	13,327	54,442	-
Prepaid expenses	45,164	4,444	49,608	-
Due from other governments	81,955	-	81,955	18
Internal balances	2,798	(2,798)	-	-
Inventory	-	28,137	28,137	-
Notes receivable - current	-	67,800	67,800	-
Total current assets	<u>1,905,556</u>	<u>1,731,815</u>	<u>3,637,371</u>	<u>7,643</u>
NONCURRENT ASSETS				
Capital assets:				
Land and land improvements	3,428,846	30,005	3,458,851	-
Buildings and improvements	-	19,200	19,200	-
Equipment, furniture and fixtures	-	690,547	690,547	-
Infrastructure - roads	4,040,931	-	4,040,931	-
Distribution and collection system	-	7,926,839	7,926,839	-
Less - Accumulated depreciation	(2,762,692)	(4,209,855)	(6,972,547)	-
Net property and equipment	4,707,085	4,456,736	9,163,821	-
Prepaid planning expenses	-	-	-	30,000
Notes receivable	10,000	67,802	77,802	-
Deferred charges	-	34,830	34,830	-
Total noncurrent assets	<u>4,717,085</u>	<u>4,559,368</u>	<u>9,276,453</u>	<u>30,000</u>
Total assets	<u>6,622,641</u>	<u>6,291,183</u>	<u>12,913,824</u>	<u>37,643</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	101,898	37,103	139,001	-
Accrued interest payable	8,188	17,749	25,937	-
Accrued payroll	2,207	1,597	3,804	-
Accrued leave payable	28,384	-	28,384	-
Deposits	17,169	-	17,169	-
Bonds, notes, and loans payable	60,000	210,000	270,000	-
Total current liabilities	<u>217,846</u>	<u>266,449</u>	<u>484,295</u>	<u>-</u>
NONCURRENT LIABILITIES				
Bonds, notes, and loans payable	820,000	1,144,282	1,964,282	10,000
Total liabilities	<u>1,037,846</u>	<u>1,410,731</u>	<u>2,448,577</u>	<u>10,000</u>
NET ASSETS				
Invested in capital assets - net of related debt	3,827,085	3,102,454	6,929,539	-
Restricted for debt service	53,648	264,192	317,840	-
Restricted for capital projects	22,887	-	22,887	-
Unrestricted	1,681,175	1,513,806	3,194,981	27,643
Total net assets	<u>\$ 5,584,795</u>	<u>\$ 4,880,452</u>	<u>\$ 10,465,247</u>	<u>\$ 27,643</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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 62,348	\$ -	\$ -	\$ -
General government	378,521	161,776	-	103,470
Public safety	457,108	6,348	-	-
Public works	341,058	43,294	269,613	11,500
Recreational and cultural	37,048	-	49,187	-
Interest on long-term debt	52,431	-	-	-
Depreciation	317,806	-	-	-
Total governmental activities	<u>1,646,320</u>	<u>211,418</u>	<u>318,800</u>	<u>114,970</u>
Business-type activities				
Water and sewer	<u>941,531</u>	<u>670,417</u>	<u>-</u>	<u>239,150</u>
Total primary government	<u>\$ 2,587,851</u>	<u>\$ 881,835</u>	<u>\$ 318,800</u>	<u>\$ 354,120</u>
Component Unit:				
Downtown Development Authority	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Change in net assets
Net assets - Beginning
Net assets - Ending

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

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

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (62,348)	\$ -	\$ (62,348)	\$ -
(113,275)	-	(113,275)	-
(450,760)	-	(450,760)	-
(16,651)	-	(16,651)	-
12,139	-	12,139	-
(52,431)	-	(52,431)	-
(317,806)	-	(317,806)	-
(1,001,132)	-	(1,001,132)	-
-	(31,964)	(31,964)	-
(1,001,132)	(31,964)	(1,033,096)	-
-	-	-	240
663,563	-	663,563	12,442
199,323	-	199,323	-
24,550	36,561	61,111	106
22,956	-	22,956	-
815	7,366	8,181	-
911,207	43,927	955,134	12,548
(89,925)	11,963	(77,962)	12,308
5,674,720	4,868,489	10,543,209	15,335
<u>\$ 5,584,795</u>	<u>\$ 4,880,452</u>	<u>\$ 10,465,247</u>	<u>\$ 27,643</u>

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 780,344	\$ 33,304	\$ 12,006	\$ 619,173	\$ 1,444,827
Accounts receivable:					
Taxes	879	-	-	195	1,074
Customers	13,522	-	15,072	-	28,594
Other	5,825	-	-	-	5,825
Prepaid expenses	27,079	2,271	4,088	2,148	35,586
Due from other funds	31,853	2,995	557	94	35,499
Due from other governments	58,400	16,401	7,154	10,000	91,955
Advances to other funds	5,000	-	-	-	5,000
Total assets	\$ 922,902	\$ 54,971	\$ 38,877	\$ 631,610	\$ 1,648,360
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 99,295	\$ 16	\$ 949	\$ 682	\$ 100,942
Accrued interest payable	8,188	-	-	-	8,188
Accrued payroll	821	280	848	240	2,189
Due to other funds	8,124	1,681	2,749	815	13,369
Deposits	17,169	-	-	-	17,169
Total liabilities	133,597	1,977	4,546	1,737	141,857
FUND BALANCES					
Fund balances - Reserved:					
Debt service	53,648	-	-	-	53,648
Capital outlay	22,887	-	-	-	22,887
Fund balances - Unreserved	712,770	52,994	34,331	629,873	1,429,968
Total fund balances	789,305	52,994	34,331	629,873	1,506,503
Total liabilities and fund equity	\$ 922,902	\$ 54,971	\$ 38,877	\$ 631,610	\$ 1,648,360

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

VILLAGE OF MANCHESTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balance - total governmental funds	\$ 1,506,503
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of the Internal Service Fund. (Net of accumulated depreciation).	4,707,085
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	279,591
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(880,000)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(28,384)</u>
Net assets of governmental activities	<u>\$ 5,584,795</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, 2009

	GENERAL FUND	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENT FUNDS	TOTAL
REVENUES:					
Taxes and penalties	\$ 767,033	\$ -	\$ -	\$ 169,779	\$ 936,812
Franchise fee	22,956	-	-	-	22,956
Licenses and permits	1,260	-	-	-	1,260
Fees and fines	6,348	-	-	-	6,348
Intergovernmental - State	199,323	101,582	44,302	-	345,207
Charges for services	89,051	-	208	-	89,259
Rental income	89,184	-	-	-	89,184
Interest income	13,235	39	1,914	5,576	20,764
Other revenues	755	-	-	3,197	3,952
Total revenues	<u>1,189,145</u>	<u>101,621</u>	<u>46,424</u>	<u>178,552</u>	<u>1,515,742</u>
EXPENDITURES:					
Current:					
Legislative	62,348	-	-	-	62,348
General government	385,432	-	-	-	385,432
Public safety	457,108	-	-	-	457,108
Public works	138,268	138,721	145,080	-	422,069
Recreational & cultural	-	-	-	37,497	37,497
Debt service	107,430	-	-	-	107,430
Total expenditures	<u>1,150,586</u>	<u>138,721</u>	<u>145,080</u>	<u>37,497</u>	<u>1,471,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>38,559</u>	<u>(37,100)</u>	<u>(98,656)</u>	<u>141,055</u>	<u>43,858</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	113,000	-	113,000
Operating transfers (out)	-	(55,000)	-	(58,000)	(113,000)
Total other financing sources (uses)	<u>-</u>	<u>(55,000)</u>	<u>113,000</u>	<u>(58,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>38,559</u>	<u>(92,100)</u>	<u>14,344</u>	<u>83,055</u>	<u>43,858</u>
FUND BALANCE -					
Beginning of year	<u>750,746</u>	<u>145,094</u>	<u>19,987</u>	<u>546,818</u>	<u>1,462,645</u>
FUND BALANCE -					
End of year	<u>\$ 789,305</u>	<u>\$ 52,994</u>	<u>\$ 34,331</u>	<u>\$ 629,873</u>	<u>\$ 1,506,503</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, 2009**

Net change in fund balances - total governmental funds	\$ 43,858
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	109,845
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(317,806)
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.	22,992
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.	(3,814)
The payments of long term debt consumes the current financial resources of governmental funds.	<u>55,000</u>
Change in net assets of governmental activities	<u><u>\$ (89,925)</u></u>

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

VILLAGE OF MANCHESTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

ASSETS	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	FUND
CURRENT ASSETS:				
Cash and cash equivalents	\$ 374,129	\$ 801,906	\$ 1,176,035	\$ 259,678
Investments	253,030	107,808	360,838	-
Accounts receivable:				
Taxes	43	170	213	-
Customers	30,161	53,658	83,819	351
Prepaid expenses	2,918	1,526	4,444	9,578
Due from other funds	18,751	2,059	20,810	10,958
Inventory	28,137	-	28,137	-
Special assessment receivable - current	63,773	4,027	67,800	-
Total current assets	770,942	971,154	1,742,096	280,565
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	3,005	27,000	30,005	-
Buildings and improvements	9,800	9,400	19,200	-
Equipment, furniture and fixtures	346,880	343,667	690,547	664,917
Distribution and collection system	1,899,654	6,027,185	7,926,839	-
Less - Accumulated depreciation	(574,059)	(3,635,796)	(4,209,855)	(539,394)
Net property and equipment	1,685,280	2,771,456	4,456,736	125,523
Special assessment receivable	63,774	4,028	67,802	-
Deferred charges:				
Unamortized bond issuance costs	7,627	27,203	34,830	-
Total noncurrent assets	1,756,681	2,802,687	4,559,368	125,523
Total assets	2,527,623	3,773,841	6,301,464	406,088
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	4,799	32,304	37,103	956
Accrued interest payable	3,165	14,584	17,749	-
Accrued payroll	447	1,150	1,597	18
Due to other funds	4,985	5,296	10,281	-
Bonds, notes, and loans payable	105,000	105,000	210,000	-
Total current liabilities	118,396	158,334	276,730	974
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	395,000	749,282	1,144,282	-
Total liabilities	513,396	907,616	1,421,012	974
NET ASSETS:				
Invested in capital assets - net of related debt	1,185,280	1,917,174	3,102,454	125,523
Restricted for debt service	92,011	172,181	264,192	-
Unrestricted	736,936	776,870	1,513,806	279,591
Total net assets	\$ 2,014,227	\$ 2,866,225	\$ 4,880,452	\$ 405,114

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

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
OPERATING REVENUES:				
Charges for services	\$ 246,627	\$ 363,737	\$ 610,364	\$ 141,574
Charges for services - Bridgewater Township	-	44,031	44,031	-
Connection fees and other charges	5,572	10,450	16,022	-
Total operating revenues	<u>252,199</u>	<u>418,218</u>	<u>670,417</u>	<u>141,574</u>
OPERATING EXPENSES:				
Salaries and wages	78,326	141,381	219,707	20,223
Payroll taxes	5,919	10,628	16,547	1,533
Employee benefits	27,265	51,782	79,047	7,288
Chemicals	6,476	11,896	18,372	-
Operating supplies	4,252	18,434	22,686	17,740
Uniforms	-	514	514	-
Gasoline and oil	-	-	-	16,467
Postage	828	1,028	1,856	-
Water meters	976	976	1,952	-
Purchased services - other	20,430	14,399	34,829	1,475
Purchased services - water testing	1,129	2,177	3,306	-
Purchased services - sludge removal	-	31,585	31,585	-
Purchased services - engineering	4,173	-	4,173	-
Purchased services - audit	1,273	3,060	4,333	527
Permits and fees	-	3,105	3,105	-
Telephone	718	3,037	3,755	-
Public utilities	18,649	39,597	58,246	-
Training, education and seminars	440	563	1,003	-
Memberships	1,593	150	1,743	-
Repairs and maintenance	20,937	21,004	41,941	10,153
Insurance	4,092	2,140	6,232	13,433
Printing	180	-	180	-
Equipment replacement	-	-	-	3,994
Allocation of equipment costs	21,380	15,487	36,867	-
Depreciation	71,942	209,980	281,922	30,948
Total operating expenses	<u>290,978</u>	<u>582,923</u>	<u>873,901</u>	<u>123,781</u>
OPERATING INCOME (LOSS)	<u>(38,779)</u>	<u>(164,705)</u>	<u>(203,484)</u>	<u>17,793</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	15,121	21,440	36,561	3,786
Collection of tax assessments	37,703	147,929	185,632	-
Other income	7,366	-	7,366	-
Interest expense	(13,607)	(46,806)	(60,413)	-
Miscellaneous expense	(1,707)	(1,354)	(3,061)	(635)
Amortization of bond issuance costs	(2,213)	(1,943)	(4,156)	-
Total non-operating revenues (expenses)	<u>42,663</u>	<u>119,266</u>	<u>161,929</u>	<u>3,151</u>
Income (loss) before capital contributions	<u>3,884</u>	<u>(45,439)</u>	<u>(41,555)</u>	<u>20,944</u>
CAPITAL CONTRIBUTIONS	<u>18,000</u>	<u>35,518</u>	<u>53,518</u>	<u>-</u>
Net change in net assets	21,884	(9,921)	11,963	20,944
TOTAL NET ASSETS - Beginning of year	<u>1,992,343</u>	<u>2,876,146</u>	<u>4,868,489</u>	<u>384,170</u>
TOTAL NET ASSETS - End of year	<u>\$ 2,014,227</u>	<u>\$ 2,866,225</u>	<u>\$ 4,880,452</u>	<u>\$ 405,114</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, 2009

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 253,657	\$ 425,925	\$ 679,582	\$ 141,560
Payments to suppliers	(138,335)	(156,528)	(294,863)	(81,017)
Payments to employees	(111,471)	(203,152)	(314,623)	(29,059)
Payments (to) from other funds	(21,273)	(100,299)	(121,572)	(154)
Net cash provided (used) by operating activities	<u>(17,422)</u>	<u>(34,054)</u>	<u>(51,476)</u>	<u>31,330</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(138,511)	(174,031)	(312,542)	(28,900)
Principal and interest paid on capital debt	(119,186)	(153,048)	(272,234)	-
Proceeds from tax/special assessments	101,858	151,982	253,840	-
Other receipts (payments)	25,366	35,519	60,885	-
Net cash provided (used) by capital and related financing activities	<u>(130,473)</u>	<u>(139,578)</u>	<u>(270,051)</u>	<u>(28,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	15,121	21,440	36,561	3,786
Net increase (decrease) in cash and cash equivalents	(132,774)	(152,192)	(284,966)	6,216
Balances - beginning of year	759,933	1,061,906	1,821,839	253,462
Balances - end of year	<u>\$ 627,159</u>	<u>\$ 909,714</u>	<u>\$ 1,536,873</u>	<u>\$ 259,678</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (38,779)	\$ (164,705)	\$ (203,484)	17,793
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	71,942	209,980	281,922	30,948
Change in assets and liabilities				
Receivables - net	1,458	7,707	9,165	(14)
Prepaid expenses	(2,918)	(1,526)	(4,444)	(9,578)
Due from other funds	(3,014)	(1,410)	(4,424)	(154)
Inventories	(9,419)	-	(9,419)	-
Accounts and other payables	(18,472)	14,150	(4,322)	(7,650)
Due to other funds	(18,259)	(98,889)	(117,148)	-
Accrued expenses	39	639	678	(15)
Net cash provided by operating activities	<u>\$ (17,422)</u>	<u>\$ (34,054)</u>	<u>\$ (51,476)</u>	<u>\$ 31,330</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>EMPLOYEE INSURANCE FUND</u>	<u>SICK PAY BENEFIT FUND</u>	<u>AGENCY FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 42,700	\$ 52,261	\$ 41,751
Accounts receivable	-	-	1,324
Total assets	<u>42,700</u>	<u>52,261</u>	<u>\$ 43,075</u>
LIABILITIES			
Accounts payable	382	-	\$ 6
Accrued leave time	-	22,627	-
Due to other funds	5,565	-	38,052
Due to other governments	-	-	17
Advances from other funds	-	-	5,000
Total liabilities	<u>5,947</u>	<u>22,627</u>	<u>\$ 43,075</u>
NET ASSETS			
Held in trust for employee benefits	<u>\$ 36,753</u>	<u>\$ 29,634</u>	

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

VILLAGE OF MANCHESTER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2009

	EMPLOYEE INSURANCE FUND	SICK PAY BENEFIT FUND
	<u> </u>	<u> </u>
ADDITIONS		
Employer contributions	\$ 9,996	\$ -
Interest income	325	500
Total additions	<u>10,321</u>	<u>500</u>
DEDUCTIONS		
Benefits	12,795	2,912
Bank fees	763	-
Total deductions	<u>13,558</u>	<u>2,912</u>
Change in net assets	(3,237)	(2,412)
Net assets - beginning of year	<u>39,990</u>	<u>32,046</u>
Net assets - end of year	<u><u>\$ 36,753</u></u>	<u><u>\$ 29,634</u></u>

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

VILLAGE OF MANCHESTER
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JUNE 30, 2009

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VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS -

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

B. REPORTING ENTITY -

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

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

The Downtown Development Authority (DDA) is governed by a separate nine member board. The DDA's primary function is to provide for the acquisition, construction and financing of the 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 of benefit 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, 2009

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 Public Improvement Fund accounts for resources received from the General Fund earmarked for public improvements.

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 the measurement of financial activity focuses on net income measurement similar to the private sector.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

Additionally, the Village reports the following fund types:

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

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

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

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

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

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

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009.
- 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.
- 3) Special Assessment Receivables – This account is for special assessment district for water and sewer expansion to the current distribution and collection system.

G. INVENTORIES -

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

H. PREPAID EXPENSES -

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

I. CAPITAL ASSETS -

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. 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, 2009

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 -

In the Fund Financial Statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, 2009, the liability included \$28,384 unpaid leave benefits reported in the Governmental Funds. All leave pay is accrued when incurred in the Government-Wide and Fiduciary Fund Financial Statements.

L. LONG-TERM OBLIGATIONS -

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

M. ESTIMATES -

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION -

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

BUDGET VIOLATIONS -

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

<u>FUND/DEPARTMENT</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>(EXCESS BUDGET VARIANCE)</u>
LOCAL STREET FUND			
Traffic services	\$ 2,500	\$ 2,937	\$ (437)
Bridge maintenance	-	933	(933)
Total	<u>\$ 2,500</u>	<u>\$ 3,870</u>	<u>\$ (1,370)</u>

NOTE 3 - PROPERTY TAXES:

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

The Village's operating tax rate is currently 14.6709 mills and is distributed as follows:

General Operation	8.6731
Water Systems	0.4928
Highways and Streets	1.6172
Parks and Recreation	0.6019
Debt Service	<u>3.2859</u>
	<u>14.6709</u>

The taxable value of real and personal property located in the Village was \$78,992,588.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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	Bank Balance
Cash on hand	\$ 225	\$ -
Insured (FDIC)	2,975,633	2,975,409
Uninsured and uncollateralized	41,394	51,340
	\$ 3,017,252	\$ 3,026,749
Reported in financial statements:		
Governmental funds	\$ 1,704,505	
Proprietary funds (Business-type)	1,176,035	
Fiduciary funds	136,712	
	\$ 3,017,252	
Component Unit: DDA		
Insured	\$ -	\$ -
Uninsured and uncollateralized	7,616	7,616
	\$ 7,616	\$ 7,616

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, 2009, the Village had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Certificate of Deposit - Insured	11/19/09	\$ 253,030	S&P-AAA
Certificate of Deposit - Insured	2/5/10	10,359	S&P-AAA
Certificate of Deposit - Insured	2/1/10	97,449	S&P-AAA
		\$ 360,838	

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.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - CASH AND INVESTMENTS: (Continued)

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, 2009, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Employee Insurance	\$ 6,000
	-	Trust & Agency	10,004
	-	Operational Clearing	16,283
	<u>32,287</u>		<u>32,287</u>
	-	General	695
	-	Water	2,300
Major Street	<u>2,995</u>		<u>2,995</u>
Local Street	<u>557</u>	General	<u>557</u>
Parks & Recreation	<u>94</u>	General	<u>94</u>
Subtotal	<u>35,933</u>	Subtotal	<u>35,933</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (Continued)

RECEIVABLES	PAYABLES		
Carryover		Carryover	
\$ 35,933		\$ 35,933	
Water	-	General	1,084
	-	Sewer	4,104
	-	Tax	13,563
	18,751		18,751
Sewer	2,059	General	2,059
Equipment	-	General Fund	2,388
	-	Major Street	1,681
	-	Local Street	2,749
	-	Parks	500
	-	Sewer	956
	-	Water	2,684
	10,958		10,958
Total	\$ 67,701	Total	\$ 67,701

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – CAPITAL ASSETS:

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>07/01/08</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/09</u>
Capital assets not being depreciated				
Land	\$ 79,901	\$ -	\$ -	\$ 79,901
Capital assets being depreciated				
Land improvements	179,254	22,022	-	201,276
Buildings and improvements	2,208,984	9,600	-	2,218,584
Equipment, furniture and fixtures	900,185	28,900	-	929,085
Infrastructure - roads	3,991,608	49,323	-	4,040,931
Subtotal	<u>7,280,031</u>	<u>109,845</u>	<u>-</u>	<u>7,389,876</u>
Less accumulated depreciation for				
Land improvements	105,922	8,940	-	114,862
Buildings and improvements	451,017	64,061	-	515,078
Equipment, furniture and fixtures	598,213	43,992	-	642,205
Infrastructure - roads	1,289,734	200,813	-	1,490,547
Subtotal	<u>2,444,886</u>	<u>317,806</u>	<u>-</u>	<u>2,762,692</u>
Net capital assets being depreciated	<u>4,835,145</u>	<u>(207,961)</u>	<u>-</u>	<u>4,627,184</u>
Capital assets - net of depreciation	<u>\$ 4,915,046</u>	<u>\$ (207,961)</u>	<u>\$ -</u>	<u>\$ 4,707,085</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – CAPITAL ASSETS: (Continued)

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

	<u>07/01/08</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/09</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Capital assets being depreciated				
Buildings and improvements	19,200	-	-	19,200
Equipment, furniture and fixtures	378,005	312,542	-	690,547
Distribution and collection system	7,926,839	-	-	7,926,839
Subtotal	<u>8,324,044</u>	<u>312,542</u>	<u>-</u>	<u>8,636,586</u>
Less accumulated depreciation for				
Buildings and improvements	4,995	781	-	5,776
Equipment, furniture and fixtures	147,906	43,153	-	191,059
Distribution and collection system	3,775,032	237,988	-	4,013,020
Subtotal	<u>3,927,933</u>	<u>281,922</u>	<u>-</u>	<u>4,209,855</u>
Net capital assets being depreciated	<u>4,396,111</u>	<u>30,620</u>	<u>-</u>	<u>4,426,731</u>
Capital assets - net of depreciation	<u>\$ 4,426,116</u>	<u>\$ 30,620</u>	<u>\$ -</u>	<u>\$ 4,456,736</u>

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

GOVERNMENTAL ACTIVITIES	<u>\$ 317,806</u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 71,942
Sewer	<u>209,980</u>
Total business type activities	<u>\$ 281,922</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 full time, salaried and clerical 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, 2009, the Village's required contributions amounted to \$25,563 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2009, was \$495,119 and total payroll subject to retirement benefits was \$426,045.

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. The benefits are provided in accordance with a Village resolution. For the year ended June 30, 2009, expenditures for health care are recognized as the insurance premiums become due.

Upcoming reporting change – The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The pronouncement require government-wide financial statements to recognized the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

The Village has completed an actuarial valuation to determine its postretirement healthcare liability. The postretirement benefit obligations and annual expense under the accrual accounting standards of GASB 45, using a valuation date of July 1, 2009, are as follows:

- | | |
|---|-----------|
| • Actuarial Present Value of Future Benefits ("PVFB") | \$560,816 |
| • Actuarial Accrued Liability ("AL") | \$237,119 |
| • Annual Accrual Expense – First Year ("ARC") | \$ 35,861 |

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - CHANGES IN LONG-TERM DEBT:

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

	<u>DEBT OUT- STANDING 07/01/08</u>	<u>ADDITIONS OF NEW DEBT</u>	<u>RETIREMENTS AND REPAYMENTS</u>	<u>DEBT OUT- STANDING 06/30/09</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
2000 General Obligation Bonds, \$1,250,000 maturing serially in annual amounts ranging from \$20,000 to \$100,000 at an interest rate of 5.5% to 5.7%	\$ 935,000	\$ -	\$ (55,000)	\$ 880,000
<u>BUSINESS-TYPE ACTIVITIES</u>				
1991 General Obligation Bonds, \$955,000 maturing serially in annual amounts ranging from \$40,000 to \$60,000 at an interest rate of 2.00%.	\$ 224,282	\$ -	\$ (55,000)	\$ 169,282
1993 Unlimited Tax General Obligation Series-A Refunding Bonds, \$1,750,000 maturing serially in annual amounts ranging from \$35,000 to \$95,000 at an interest rate ranging from 3.25% to 6.10%.	735,000	-	(50,000)	685,000
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%	380,000	-	(30,000)	350,000
2004 Special assessment bonds . \$490,000 maturing serially in annual amounts ranging from \$50,000 to \$75,000 at an interest rate ranging from 2.0% to 2.7%.	225,000	-	(75,000)	150,000
Total business type activities	<u>\$ 1,564,282</u>	<u>\$ -</u>	<u>\$ (210,000)</u>	<u>\$ 1,354,282</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2010	60,000	49,125
2011	60,000	45,825
2012	65,000	42,525
2013	70,000	38,950
2014	75,000	35,100
Thereafter	<u>550,000</u>	<u>113,425</u>
	<u>\$ 880,000</u>	<u>\$ 324,950</u>

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

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2010	210,000	55,761
2011	215,000	49,010
2012	204,282	74,605
2013	135,000	60,329
2014	85,000	30,098
Thereafter	<u>505,000</u>	<u>87,621</u>
	<u>\$ 1,354,282</u>	<u>\$ 357,424</u>

The Downtown Development Authority (component unit) debt consists of a single loan from a governmental fund (Municipal Street). The loan amount, \$10,000 is shown as a note receivable in the governmental activities.

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.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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.

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	<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	\$ 765,250	\$ 770,050	\$ 767,033	\$ (3,017)
Franchise fees	21,000	22,500	22,956	456
Licenses and permits	1,000	1,000	1,260	260
Fees and fines	7,300	6,300	6,348	48
Intergovernmental				
Sales tax	201,000	191,800	190,576	(1,224)
State liquor control	1,700	1,700	1,540	(160)
State Metro Act	6,800	6,800	7,207	407
Total	<u>209,500</u>	<u>200,300</u>	<u>199,323</u>	<u>(977)</u>
Charges for services				
Reimbursed services	1,800	17,200	17,719	519
Garbage pickup	66,400	70,400	71,332	932
Total	<u>68,200</u>	<u>87,600</u>	<u>89,051</u>	<u>1,451</u>
Rental income	86,300	89,100	89,184	84
Interest income	15,050	12,700	13,235	535
Other revenues	-	200	755	555
Total Revenues	<u>\$ 1,173,600</u>	<u>\$ 1,189,750</u>	<u>\$ 1,189,145</u>	<u>\$ (605)</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	<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	\$ -	\$ -	\$ 42,041	\$ -
Payroll taxes	-	-	3,169	-
Employee benefits	-	-	11,510	-
Operating supplies	-	-	75	-
Memberships	-	-	2,053	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
Chamber of Commerce	-	-	500	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total legislative	66,400	65,200	62,348	2,852
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	86,986	-
Payroll taxes	-	-	6,674	-
Employee benefits	-	-	23,998	-
Operating supplies	-	-	5,688	-
Postage	-	-	2,333	-
Telephone	-	-	2,873	-
Memberships	-	-	503	-
Training, education and seminars	-	-	704	-
Purchased services - legal	-	-	2,052	-
Purchased services - audit	-	-	7,540	-
Purchased services - other	-	-	1,363	-
Garbage services	-	-	62,860	-
Printing	-	-	1,694	-
Insurance	-	-	21,478	-
Travel	-	-	1,472	-
Repairs and maintenance	-	-	1,724	-
Tax refunds	-	-	1,875	-
Bank fees	-	-	3,477	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	231,900	239,500	235,294	4,206

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
BUILDING AND GROUNDS:				
Salaries and wages	-	-	7,386	-
Payroll taxes	-	-	557	-
Employee benefits	-	-	1,212	-
Operating supplies	-	-	4,887	-
Public utilities	-	-	56,425	-
Insurance	-	-	18,618	-
Repairs and maintenance	-	-	9,157	-
Purchased services - cleaning	-	-	22,959	-
Purchased services - other	-	-	5,529	-
Allocation of equipment costs	-	-	13,808	-
Capital outlay	-	-	9,600	-
Total	166,200	157,000	150,138	6,862
Total general government	398,100	396,500	385,432	11,068
PUBLIC WORKS:				
DEPARTMENT OF PUBLIC WORKS:				
Training, education and seminars	-	-	42	-
Operating supplies	-	-	1,978	-
Uniforms	-	-	1,891	-
Purchased services - other	-	-	280	-
Telephone	-	-	2,661	-
Travel	-	-	1,833	-
Memberships	-	-	133	-
Total	17,150	9,250	8,818	432
TREE REMOVAL AND REPLACEMENT:				
Salaries and wages	-	-	2,799	-
Payroll taxes	-	-	212	-
Employee benefits	-	-	921	-
Operating supplies	-	-	318	-
Trees and plant materials	-	-	2,552	-
Purchased services - other	-	-	7,617	-
Allocation of equipment costs	-	-	4,374	-
Total	19,650	19,800	18,793	1,007
SIDEWALK CONSTRUCTION:				
Salaries and wages	-	-	196	-
Payroll taxes	-	-	15	-
Employee benefits	-	-	71	-
Purchased services - other	-	-	22,022	-
Allocation of equipment costs	-	-	265	-
Total	6,350	23,350	22,569	781

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
LIGHTING:				
Street lighting	49,000	57,400	57,022	378
RECYCLING:				
Salaries and wages	-	-	8,833	-
Payroll taxes	-	-	669	-
Employee benefits	-	-	2,928	-
Purchased services - other	-	-	1,153	-
Allocation of equipment costs	-	-	17,483	-
Total	42,150	35,150	31,066	4,084
Total public works	134,300	144,950	138,268	6,682
PUBLIC SAFETY:				
POLICE ADMINISTRATION:				
Purchased services - Police	-	-	432,548	-
Purchased services - Legal	-	-	5,550	-
Operating supplies	-	-	-	-
Total	448,400	444,400	438,098	6,302
PLANNING COMMISSION:				
Salaries and wages	-	-	2,250	-
Payroll taxes	-	-	172	-
Employee benefits	-	-	46	-
Operating supplies	-	-	198	-
Purchased services - planning	-	-	15,090	-
Purchased services - other	-	-	438	-
Printing	-	-	26	-
Training, education and seminars	-	-	165	-
Memberships	-	-	625	-
Total	14,250	20,950	19,010	1,940
Total public safety	462,650	465,350	457,108	8,242
DEBT SERVICE:				
MUNICIPAL BOND EXPENDITURES:				
Bond principal payments	-	-	55,000	-
Interest	-	-	51,646	-
Purchased services - other	-	-	500	-
Tax refunds	-	-	284	-
Total debt service	107,650	108,250	107,430	820

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	<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: (Continued)				
Total expenditures	1,169,100	1,180,250	1,150,586	29,664
Net change in fund balances	4,500	9,500	38,559	29,059
Fund balance, beginning of year	750,746	750,746	750,746	-
Fund balance, end of year	<u>\$ 755,246</u>	<u>\$ 760,246</u>	<u>\$ 789,305</u>	<u>\$ 29,059</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, 2009

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 108,000	\$ 102,500	\$ 101,582	\$ (918)
Charges for services	2,000	-	-	-
Interest income	-	-	39	39
Total revenues	<u>110,000</u>	<u>102,500</u>	<u>101,621</u>	<u>(879)</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	20,644	-
Payroll taxes	-	-	1,542	-
Employee benefits	-	-	7,524	-
Repairs and maintenance	-	-	494	-
Insurance	-	-	3,185	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	580	-
Bank fees	-	-	552	-
Total General Government	<u>35,600</u>	<u>35,800</u>	<u>34,621</u>	<u>1,179</u>
PUBLIC WORKS:				
STREET CONSTRUCTION:				
Construction projects	-	15,500	15,474	26
STREET MAINTENANCE:				
Salaries and wages	-	-	20,510	-
Payroll taxes	-	-	1,553	-
Employee benefits	-	-	7,593	-
Operating supplies	-	-	1,759	-
Purchased services - other	-	-	591	-
Allocation of equipment costs	-	-	19,160	-
Repairs and maintenance	-	-	445	-
Total	<u>63,750</u>	<u>58,850</u>	<u>51,611</u>	<u>7,239</u>
BRIDGE MAINTENANCE:				
Purchased services - engineering	-	-	1,867	-
Purchased services - other	-	-	1,250	-
Total	<u>10,000</u>	<u>4,100</u>	<u>3,117</u>	<u>983</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, 2009

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES (Continued):				
PUBLIC WORKS: (Continued)				
WINTER MAINTENANCE:				
Salaries and wages	-	-	5,484	-
Payroll taxes	-	-	417	-
Employee benefits	-	-	1,762	-
Operating supplies	-	-	10,318	-
Purchased services - other	-	-	802	-
Allocation of equipment costs	-	-	12,354	-
Total	<u>20,000</u>	<u>31,500</u>	<u>31,137</u>	<u>363</u>
TRAFFIC SERVICES:				
Salaries and wages	-	-	1,618	-
Payroll taxes	-	-	122	-
Employee benefits	-	-	592	-
Operating supplies	-	-	37	-
Allocation of equipment costs	-	-	392	-
Total	<u>6,500</u>	<u>3,600</u>	<u>2,761</u>	<u>839</u>
Total public works	<u>100,250</u>	<u>113,550</u>	<u>104,100</u>	<u>9,450</u>
Total expenditures	<u>135,850</u>	<u>149,350</u>	<u>138,721</u>	<u>10,629</u>
Excess of revenues over expenditures before other financing sources (uses)	(25,850)	(46,850)	(37,100)	9,750
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>25,850</u>	<u>46,850</u>	<u>(55,000)</u>	<u>(101,850)</u>
NET CHANGE IN FUND BALANCE	-	-	(92,100)	(92,100)
FUND BALANCE, BEGINNING OF YEAR	<u>145,094</u>	<u>145,094</u>	<u>145,094</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 145,094</u>	<u>\$ 145,094</u>	<u>\$ 52,994</u>	<u>\$ (92,100)</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, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 44,000	\$ 43,800	\$ 44,302	\$ 502
Charges for services	-	200	208	8
Interest income	-	1,800	1,914	114
Total revenues	<u>44,000</u>	<u>45,800</u>	<u>46,424</u>	<u>624</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	13,645	-
Payroll taxes	-	-	1,013	-
Employee benefits	-	-	4,939	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	509	-
Bank fees	-	-	718	-
Insurance	-	-	5,733	-
Repairs and maintenance	-	-	494	-
Total General Government	<u>27,750</u>	<u>28,200</u>	<u>27,151</u>	<u>1,049</u>
PUBLIC WORKS:				
STREET CONSTRUCTION:				
Purchased services - other	<u>50,000</u>	<u>34,000</u>	<u>33,849</u>	<u>151</u>
STREET MAINTENANCE:				
Salaries and wages	-	-	20,890	-
Payroll taxes	-	-	1,575	-
Employee benefits	-	-	7,704	-
Operating supplies	-	-	2,552	-
Repairs and maintenance	-	-	446	-
Allocation of equipment costs	-	-	22,111	-
Total	<u>60,300</u>	<u>57,850</u>	<u>55,278</u>	<u>2,572</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	4,409	-
Payroll taxes	-	-	335	-
Employee benefits	-	-	1,224	-
Operating supplies	-	-	10,318	-
Purchased services - other	-	-	803	-
Allocation of equipment costs	-	-	7,843	-
Total	<u>18,000</u>	<u>25,200</u>	<u>24,932</u>	<u>268</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, 2009

	<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)				
BRIDGE MAINTENANCE:				
Purchased services - engineering	1,300	-	933	(933)
TRAFFIC SERVICES:				
Salaries and wages	-	-	1,088	-
Payroll taxes	-	-	35	-
Employee benefits	-	-	148	-
Operating supplies	-	-	75	-
Purchased services - other	-	-	675	-
Allocation of equipment costs	-	-	916	-
Total	<u>6,450</u>	<u>2,500</u>	<u>2,937</u>	<u>(437)</u>
Total public works	<u>136,050</u>	<u>119,550</u>	<u>117,929</u>	<u>1,621</u>
Total expenditures	<u>163,800</u>	<u>147,750</u>	<u>145,080</u>	<u>2,670</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(119,800)</u>	<u>(101,950)</u>	<u>(98,656)</u>	<u>3,294</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>119,800</u>	<u>101,950</u>	<u>113,000</u>	<u>11,050</u>
NET CHANGE IN FUND BALANCE	-	-	14,344	14,344
FUND BALANCE, BEGINNING OF YEAR	<u>19,987</u>	<u>19,987</u>	<u>19,987</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 19,987</u>	<u>\$ 19,987</u>	<u>\$ 34,331</u>	<u>\$ 14,344</u>

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

VILLAGE OF MANCHESTER
ADDITIONAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

VILLAGE OF MANCHESTER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	SPECIAL REVENUE FUNDS			TOTAL
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE- MENT	
ASSETS				
Cash and cash equivalents	\$ 184,972	\$ 92,705	\$ 341,496	\$ 619,173
Accounts receivable - taxes	142	53	-	195
Prepaid expenses	-	2,148	-	2,148
Due from other funds	-	94	-	94
Advances to other funds	-	-	10,000	10,000
	<u>\$ 185,114</u>	<u>\$ 95,000</u>	<u>\$ 351,496</u>	<u>\$ 631,610</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ -	\$ 682	\$ -	\$ 682
Accrued payroll	-	240	-	240
Due to other funds	231	584	-	815
Total liabilities	<u>231</u>	<u>1,506</u>	<u>-</u>	<u>1,737</u>
FUND BALANCE:				
Unreserved	184,883	93,494	351,496	629,873
Total fund balance	<u>184,883</u>	<u>93,494</u>	<u>351,496</u>	<u>629,873</u>
Total liabilities and fund balance	<u>\$ 185,114</u>	<u>\$ 95,000</u>	<u>\$ 351,496</u>	<u>\$ 631,610</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, 2009

	SPECIAL REVENUE FUNDS			TOTAL
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE-MENT	
REVENUES:				
Taxes and penalties	\$ 123,729	\$ 46,050	\$ -	\$ 169,779
Interest income	1,480	830	3,266	5,576
Contributions	-	3,137	-	3,137
Other revenue	-	60	-	60
Total revenues	<u>125,209</u>	<u>50,077</u>	<u>3,266</u>	<u>178,552</u>
EXPENDITURES:				
Salaries and wages	-	14,970	-	14,970
Payroll taxes	-	1,135	-	1,135
Employee benefits	-	2,351	-	2,351
Operating supplies	-	2,081	-	2,081
Purchased services - other	-	1,629	-	1,629
Purchased services - audit	-	411	-	411
Repairs and maintenance	-	3,250	-	3,250
Public utilities	-	1,430	-	1,430
Insurance	-	3,012	-	3,012
Allocation of equipment costs	-	6,000	-	6,000
Miscellaneous	360	147	-	507
Bank fees	-	721	-	721
Total expenditures	<u>360</u>	<u>37,137</u>	<u>-</u>	<u>37,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>124,849</u>	<u>12,940</u>	<u>3,266</u>	<u>141,055</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	55,000	-	-	55,000
Operating transfers (out)	(113,000)	-	-	(113,000)
Total other financing sources (uses)	<u>(58,000)</u>	<u>-</u>	<u>-</u>	<u>(58,000)</u>
NET CHANGE IN FUND BALANCES	66,849	12,940	3,266	83,055
FUND BALANCE - Beginning of year	<u>118,034</u>	<u>80,554</u>	<u>348,230</u>	<u>546,818</u>
FUND BALANCE - End of year	<u>\$ 184,883</u>	<u>\$ 93,494</u>	<u>\$ 351,496</u>	<u>\$ 629,873</u>

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

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2009

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/09	06/30/10	
BUSINESS TYPE ACTIVITIES								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Series - A Refunding Bonds	08/30/93	\$ 1,750,000	5.90%	03/01/10	\$ 50,000	\$ 50,000	\$ -	\$ 41,212
			5.90%	03/01/11	55,000	55,000	55,000	38,263
			5.95%	3/1/12 thru 13	55,000	110,000	110,000	66,762
			6.00%	3/1/14 thru 15	50,000	100,000	100,000	53,954
			6.05%	3/1/16 thru 18	50,000	150,000	150,000	58,342
			6.10%	3/1/19 thru 22	45,000	180,000	180,000	37,187
			6.10%	03/01/23	40,000	40,000	40,000	2,440
Total Unlimited Tax General Obligation Bonds						\$ 685,000	\$ 635,000	\$ 298,160
MICHIGAN MUNICIPAL BOND AUTHORITY:								
Michigan Drinking Water Revolving Fund	09/29/98	\$ 620,000	2.50%	04/01/10	\$ 30,000	\$ 30,000	\$ -	\$ 8,750
			2.50%	04/01/11	30,000	30,000	30,000	8,000
			2.50%	04/01/12	35,000	35,000	35,000	7,250
			2.50%	04/01/13	35,000	35,000	35,000	6,375
			2.50%	04/01/14	35,000	35,000	35,000	5,500
			2.50%	04/01/15	35,000	35,000	35,000	4,625
			2.50%	04/01/16	35,000	35,000	35,000	3,750
			2.50%	04/01/17	35,000	35,000	35,000	2,875
			2.50%	04/01/18	40,000	40,000	40,000	2,000
			2.50%	04/01/19	40,000	40,000	40,000	1,000
Total Michigan Drinking Water Revolving Fund Program						\$ 350,000	\$ 320,000	\$ 50,125
General Obligation Bonds:								
Series 1991	03/28/91	\$ 955,000	2.00%	10/01/09	\$ 55,000	\$ 55,000	\$ -	\$ 2,836
			2.00%	10/01/10	55,000	55,000	55,000	1,736
			2.00%	10/01/11	59,282	59,282	59,282	593
Total General Obligation Bonds						\$ 169,282	\$ 114,282	\$ 5,165
Special Assessment Bonds:								
Series 2004	03/15/04	\$ 490,000	2.50%	10/01/09	\$ 75,000	\$ 75,000	\$ -	\$ 2,963
			2.70%	10/01/10	75,000	75,000	75,000	1,011
Total Special Assessment Bonds						\$ 150,000	\$ 75,000	\$ 3,974
Total Water and Sewer Enterprise Funds						\$ 1,354,282	\$ 1,144,282	\$ 357,424

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2009

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/09	06/30/10	
General Obligation Bonds:								
Series 2000	06/29/00	\$ 1,250,000	5.50%	05/01/10	\$ 60,000	\$ 60,000	\$ -	\$ 49,125
			5.50%	05/01/11	60,000	60,000	60,000	45,825
			5.50%	05/01/12	65,000	65,000	65,000	42,525
			5.50%	05/01/13	70,000	70,000	70,000	38,950
			5.50%	05/01/14	75,000	75,000	75,000	35,100
			5.50%	05/01/15	80,000	80,000	80,000	30,975
			5.55%	05/01/16	85,000	85,000	85,000	26,575
			5.60%	05/01/17	90,000	90,000	90,000	21,858
			5.65%	05/01/18	95,000	95,000	95,000	16,817
			5.70%	05/01/19	100,000	100,000	100,000	11,450
			5.75%	05/01/20	100,000	100,000	100,000	5,750
Total General Government Activity						\$ 880,000	\$ 820,000	\$ 324,950

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CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Village Council
Village of Manchester
Washtenaw County, Michigan

In planning and performing our audit of the 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** as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

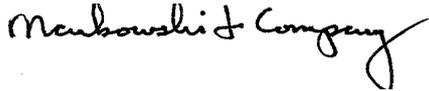
2008-01 - Segregation of Duties:

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

Village Council
Village of Manchester
Page 2

We also noted other matters which should be considered by the Council. These are reported in our separate Memorandum on Comments and Recommendations.

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



MARKOWSKI & COMPANY CPAs
October 16, 2009

MARKOWSKI & COMPANY

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION OF AUDITOR/TOWNSHIP 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, 2009, and have issued our report thereon dated October 16, 2009. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated September 21, 2009 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 2009. We noted no transactions entered into by the Village of Manchester during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

Difficulties Encountered in Performing the Audit.

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2009.

Village Council
Village of Manchester
Page Three

Management Consultations with Other Independent Accountants

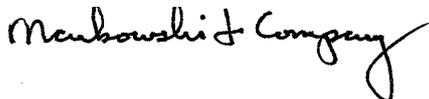
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Manchester's financial statements or a determination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

Other Audit Findings or Issues

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

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

Very truly yours,



MARKOWSKI & COMPANY CPAs

October 16, 2009

VILLAGE OF MANCHESTER
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009

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.

GASB 45 Other Postemployment Benefits Implementation

The Village of Manchester provides health insurance to retirees who qualify under the Village's current policy. New accounting pronouncements will require the Village to account for the unfunded liability beginning July 1, 2009. We recommend that the Village start the process in determining the liability.