

VILLAGE OF MANCHESTER
WASHTENAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDING JUNE 30, 2010

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
JUNE 30, 2010

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE STATEMENT OF NET ASSETS	7
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES	8
BALANCE SHEET-GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	12
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS	14
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS	15
STATEMENT OF FIDUCIARY NET ASSETS	16
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS	17
NOTES TO THE FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	34
BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND	39
BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND	41
ADDITIONAL INFORMATION:	
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	43
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS	44
SCHEDULE OF INDEBTEDNESS	45

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

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

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and remaining fund information, which collectively comprise the basic financial statements, of the Village of Manchester, Michigan, (the Village), as of and for the year ended June 30, 2010, 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.

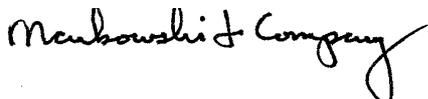
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, 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, 2010, 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 20, 2010

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, 2010. 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 \$10,228,384. Of this amount, \$2,897,278 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$7,029,732 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 \$236,863 in 2010. Governmental activities net assets decreased \$195,734 and Business-Type activities decreased \$41,129 respectively.

In a condensed format, the following table shows net assets as of June 30, 2010 and 2009:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current Assets	\$ 1,904,615	\$ 1,905,556	\$ 1,472,586	\$ 1,731,815	\$ 3,377,201	\$ 3,637,371
Noncurrent Assets	4,462,130	4,717,085	4,296,757	4,559,368	8,758,887	9,276,453
Total Assets	6,366,745	6,622,641	5,769,343	6,291,183	12,136,088	12,913,824
Current Liabilities	249,211	217,846	214,211	266,449	463,422	484,295
Long-Term Debt	728,473	820,000	715,809	1,144,282	1,444,282	1,964,282
Total Liabilities	977,684	1,037,846	930,020	1,410,731	1,907,704	2,448,577
Net Assets						
Invested in Capital Assets - Net of Related Debt	3,667,130	3,827,085	3,362,602	3,102,454	7,029,732	6,929,539
Restricted for Debt Service	-	53,648	278,287	264,192	278,287	317,840
Restricted for Capital Projects	23,087	22,887	-	-	23,087	22,887
Unrestricted	1,698,844	1,681,175	1,198,434	1,513,806	2,897,278	3,194,981
Total Net Assets	\$ 5,389,061	\$ 5,584,795	\$ 4,839,323	\$ 4,880,452	\$ 10,228,384	\$ 10,465,247

Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net assets as of June 30, 2010 and 2009:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Program Revenues						
Charges for Services	\$ 199,786	\$ 211,418	\$ 672,722	\$ 670,417	\$ 872,508	\$ 881,835
Operating grants and Contributions	314,207	318,800	-	-	314,207	318,800
Capital grants and Contributions	108,989	114,970	188,501	239,150	297,490	354,120
General Revenues						
Property Taxes	640,255	663,563	-	-	640,255	663,563
State-Shared Revenues	178,780	199,323	-	-	178,780	199,323
Interest Income	15,318	24,550	18,606	36,561	33,924	61,111
Franchise Fees	22,998	22,956	-	-	22,998	22,956
Other Income	10,264	815	1,710	7,366	11,974	8,181
Total Revenues	1,490,597	1,556,395	881,539	953,494	2,372,136	2,509,889
Program Expenses						
Legislative	62,164	62,348	-	-	62,164	62,348
General Government	413,446	378,521	-	-	413,446	378,521
Public Safety	458,741	457,108	-	-	458,741	457,108
Public Works	342,084	341,058	-	-	342,084	341,058
Recreational and Cultural	45,064	37,048	-	-	45,064	37,048
Interest on Long-Term Debt	54,880	52,430	-	-	54,880	52,430
Depreciation	309,952	317,807	-	-	309,952	317,807
Water and Sewer	-	-	922,668	941,531	922,668	941,531
Total Expenses	1,686,331	1,646,320	922,668	941,531	2,608,999	2,587,851
Change in Net Assets	\$ (195,734)	\$ (89,925)	\$ (41,129)	\$ 11,963	\$ (236,863)	\$ (77,962)

Government Activities

The Village's total governmental revenues decreased by \$65,798 as property tax values, charges for services decreased and state shared revenues continued to decline.

Property tax revenues decreased by 4% as taxable values continue to decrease in a weak economy.

State shared revenues declined 10% as the State of Michigan continues to decrease revenue sharing with local governments.

The Village cost cutting measures kept expenses to a 2% increase even with bond refunding costs of \$36,280 and tax tribunal refunds of \$31,500 included in this category. The Village does have room to increase its millage for tax revenues but has chosen not to do so, choosing to reduce costs where available.

Management's Discussion and Analysis

Business Type Activities

The Village's business-type activities consist of its Water and Sewer funds. During 2010, net assets decreased by \$41,129. This change was primarily due to the expenditure of \$210,000 of net asset reserves in combination with the re-financing of existing sewer bonds to reduce the payment schedule of the bonds and to shorten their life by two years. Operating revenues remained consistent as water and sewer usage increased, however other charges for services 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. Operating expenses decreased by 6% as management continued to reduce costs.

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 decreased by \$43,397. This reduction was due to \$36,280 in bond refunding costs to reduce the bonded debt of the Village and \$21,344 in tax refunds ordered by the State of Michigan Tax Tribunal. Revenues declined by 5% as tax and state shared revenues declined.

The Village was able to reduce costs in buildings and grounds as repairs and maintenance expenditures decreased and no capital improvements were made. Utility and insurance costs were also reduced. Other Village activity costs were reduced such as tree removal and replacement and sidewalk construction costs.

Police services continued to increase (4%) as public safety costs rise. These services are contracted through the County of Washtenaw.

The Water and Sewer Funds are used to account for business-like activities provided to the Village's residents. The Village charges for water and sewer service and other related goods and services. Net Assets decreased by \$41,129 as previously discussed. Revenues have stabilized and operating expenditures decreased by 6% as costs of operations decreased. Depreciation expense in the enterprise funds totaled \$296,200.

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 \$15,036 as street maintenance cost increased due to major maintenance work to ensure safe roads for the future. The Local Street Fund's fund balance decreased by \$8,372 which includes a transfer from the Municipal Street Fund of \$97,000 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 an \$825 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 \$15,385 decrease in fund balance as changes were made as needed. Actual fund balance decreased by \$43,497 which exceeded budget expectations. Again, this was due to bond refinancing of \$36,280 to take advantage of favorable interest rates to reduce payment schedules.

The administration continues to anticipate a difficult economy with reductions in taxable values and state shared revenues as the state continues to work through a difficult economy. 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. Large projects undertaken and completed were the exterior painting of the water tower and interior painting of the water filtration plant. Existing debt was reduced and two years were taken off of the sewer bonded debt with the previously discussed refinancing.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 157,680	\$ 30,005	\$ 187,685
Buildings and improvements	1,639,217	118,965	1,758,182
Equipment, furniture and fixtures	274,142	447,083	721,225
Infrastructure	2,391,091	-	2,391,091
Distribution and collection system	-	3,675,831	3,675,831
Total	<u>\$ 4,462,130</u>	<u>\$ 4,271,884</u>	<u>\$ 8,734,014</u>

At the end of the year the Village had total debt outstanding of \$1,704,282.

Economic Factors and Next Year's Budgets and Rates

The Village of Manchester is continuing to monitor state and local economies to determine the direction of our fiscal decisions. We feel that property taxes will continue to decline in the upcoming fiscal year, especially in the housing segment. With this in mind we are budgeting accordingly and will continue to spend conservatively while looking to work with economic programs to enhance the community. Our future outlook remains stable. The political climate in the State of Michigan will change in January of 2011. We will remain in contact with our legislators to monitor possible changes in tax structures and 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.

The Village of Manchester used its bond strength, reaffirmed at AA- by Standard and Poor's, to refinance its existing bond debt on the sewer plant and community building. By using built up fund reserves and realizing the current lower interest rates we were able to reduce future millage needed to achieve a present value savings of 10.02% on the refunded principal. This is one way to ensure that our financial resources are being 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 again hold the line on taxes and millage rates for the 2010/2011 budget year. Management and staff will continue to pursue cost cutting measures and will keep the total 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 and streets. We will encourage collaboration, to provide for police protection and look for new ways to stretch those dollars further.

The Village of Manchester met the GASB 45 requirements to set up funding for its retiree health insurance. In working with village employees, this cost was reduced by 50% and is now being funded on a yearly basis in the existing budget with no millage increase.

The delivery of water and sewer services is one of the Village's most important tasks. All items in the current year of our five year capital and maintenance plan have been completed. In reviewing water and sewer rates, we will be implementing an increase in sewer and water rates in order to keep our water and sewer systems maintenance programs funded.

Management's Discussion and Analysis

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

A Michigan Department of Transportation and Transportation Enhancement project is scheduled for the year 2012. This project will reconstruct M-52 through the Village limits and adds enhancements in the commercial area. Bid letting is proposed for the year 2011 with construction starting in 2012.

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.

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, 2010

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,562,377	\$ 1,117,279	\$ 2,679,656	\$ 4,923
Investments	23,087	293,176	316,263	-
Accounts receivable:				
Taxes	841	173	1,014	107
Customers	31,228	91,699	122,927	-
Other	30,093	-	30,093	-
Prepaid expenses	38,815	3,755	42,570	-
Due from other governments	90,537	-	90,537	-
Internal balances	127,637	(127,637)	-	-
Inventory	-	26,040	26,040	-
Notes receivable - current	-	68,101	68,101	-
Total current assets	<u>1,904,615</u>	<u>1,472,586</u>	<u>3,377,201</u>	<u>5,030</u>
NONCURRENT ASSETS				
Capital assets:				
Land and land improvements	281,177	30,005	311,182	-
Buildings and improvements	2,218,584	130,548	2,349,132	-
Equipment, furniture and fixtures	907,752	690,547	1,598,299	-
Infrastructure - roads	4,024,728	-	4,024,728	-
Distribution and collection system	-	7,926,839	7,926,839	-
Less - Accumulated depreciation	(2,970,111)	(4,506,055)	(7,476,166)	-
Net property and equipment	4,462,130	4,271,884	8,734,014	-
Prepaid planning expenses	-	-	-	30,000
Deferred charges	-	24,873	24,873	-
Total noncurrent assets	<u>4,462,130</u>	<u>4,296,757</u>	<u>8,758,887</u>	<u>30,000</u>
Total assets	<u>6,366,745</u>	<u>5,769,343</u>	<u>12,136,088</u>	<u>35,030</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	137,712	14,114	151,826	5
Accrued interest payable	3,180	4,397	7,577	-
Accrued payroll	2,078	2,227	4,305	-
Accrued leave payable	31,714	-	31,714	-
Deposits	8,000	-	8,000	-
Bonds, notes, and loans payable	66,527	193,473	260,000	-
Total current liabilities	<u>249,211</u>	<u>214,211</u>	<u>463,422</u>	<u>5</u>
NONCURRENT LIABILITIES				
Bonds, notes, and loans payable	728,473	715,809	1,444,282	10,000
Total liabilities	<u>977,684</u>	<u>930,020</u>	<u>1,907,704</u>	<u>10,005</u>
NET ASSETS				
Invested in capital assets - net of related debt	3,667,130	3,362,602	7,029,732	-
Restricted for debt service	-	278,287	278,287	-
Restricted for capital projects	23,087	-	23,087	-
Unrestricted	1,698,844	1,198,434	2,897,278	25,025
Total net assets	<u>\$ 5,389,061</u>	<u>\$ 4,839,323</u>	<u>\$ 10,228,384</u>	<u>\$ 25,025</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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 62,164	\$ -	\$ -	\$ -
General government	413,446	163,526	-	108,989
Public safety	458,741	6,006	-	-
Public works	342,084	30,254	269,774	-
Recreational and cultural	45,064	-	44,433	-
Interest on long-term debt	54,880	-	-	-
Depreciation	309,952	-	-	-
Total governmental activities	1,686,331	199,786	314,207	108,989
Business-type activities				
Water and sewer	922,668	672,722	-	188,501
Total primary government	\$ 2,608,999	\$ 872,508	\$ 314,207	\$ 297,490
Component Unit:				
Downtown Development Authority	\$ 5,680	\$ -	\$ -	\$ -

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
\$ (62,164)	\$ -	\$ (62,164)	\$ -
(140,931)	-	(140,931)	-
(452,735)	-	(452,735)	-
(42,056)	-	(42,056)	-
(631)	-	(631)	-
(54,880)	-	(54,880)	-
(309,952)	-	(309,952)	-
(1,063,349)	-	(1,063,349)	-
-	(61,445)	(61,445)	-
(1,063,349)	(61,445)	(1,124,794)	-
-	-	-	(5,680)
640,255	-	640,255	3,024
178,780	-	178,780	-
15,318	18,606	33,924	38
22,998	-	22,998	-
10,264	1,710	11,974	-
867,615	20,316	887,931	3,062
(195,734)	(41,129)	(236,863)	(2,618)
5,584,795	4,880,452	10,465,247	27,643
\$ 5,389,061	\$ 4,839,323	\$ 10,228,384	\$ 25,025

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 617,878	\$ 21,316	\$ 2,637	\$ 643,521	\$ 1,285,352
Investments	23,087	-	-	-	23,087
Accounts receivable:					
Taxes	690	-	-	151	841
Customers	12,055	-	18,763	-	30,818
Other	5,842	-	-	-	5,842
Prepaid expenses	23,424	1,921	3,505	1,835	30,685
Due from other funds	133,477	1,701	1,484	287	136,949
Due from other governments	55,907	17,502	7,128	-	80,537
Advances to other funds	26,000	-	-	10,000	36,000
	<u>\$ 898,360</u>	<u>\$ 42,440</u>	<u>\$ 33,517</u>	<u>\$ 655,794</u>	<u>\$ 1,630,111</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 119,655	\$ 1,920	\$ 3,505	\$ 2,052	\$ 127,132
Accrued interest payable	2,622	-	-	558	3,180
Accrued payroll	1,080	471	468	-	2,019
Due to other funds	21,095	2,091	3,585	611	27,382
Deposits	8,000	-	-	-	8,000
Total liabilities	<u>152,452</u>	<u>4,482</u>	<u>7,558</u>	<u>3,221</u>	<u>167,713</u>
FUND BALANCES					
Fund balances - Reserved:					
Capital outlay	23,087	-	-	-	23,087
Fund balances - Unreserved	722,821	37,958	25,959	652,573	1,439,311
Total fund balances	<u>745,908</u>	<u>37,958</u>	<u>25,959</u>	<u>652,573</u>	<u>1,462,398</u>
	<u>\$ 898,360</u>	<u>\$ 42,440</u>	<u>\$ 33,517</u>	<u>\$ 655,794</u>	<u>\$ 1,630,111</u>

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

VILLAGE OF MANCHESTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balance - total governmental funds	\$ 1,462,398
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).	4,462,130
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.	291,247
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(795,000)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(31,714)</u>
Net assets of governmental activities	<u>\$ 5,389,061</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, 2010

	GENERAL FUND	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENT FUNDS	TOTAL
REVENUES:					
Taxes and penalties	\$ 749,244	\$ -	\$ -	\$ 163,816	\$ 913,060
Franchise fee	22,998	-	-	-	22,998
Licenses and permits	1,800	-	-	-	1,800
Fees and fines	6,006	-	-	-	6,006
Intergovernmental - State	178,780	106,867	43,524	-	329,171
Charges for services	76,920	-	-	-	76,920
Rental income	88,463	-	-	-	88,463
Interest income	6,011	122	3,716	4,044	13,893
Other revenues	4,489	-	-	1,213	5,702
Total revenues	<u>1,134,711</u>	<u>106,989</u>	<u>47,240</u>	<u>169,073</u>	<u>1,458,013</u>
EXPENDITURES:					
Current:					
Legislative	62,164	-	-	-	62,164
General government	371,706	-	-	-	371,706
Public safety	458,741	-	-	-	458,741
Public works	106,223	122,025	152,612	3,619	384,479
Recreational & cultural	-	-	-	45,754	45,754
Debt service	154,274	-	-	-	154,274
Total expenditures	<u>1,153,108</u>	<u>122,025</u>	<u>152,612</u>	<u>49,373</u>	<u>1,477,118</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,397)</u>	<u>(15,036)</u>	<u>(105,372)</u>	<u>119,700</u>	<u>(19,105)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds of refunding bonds	795,000	-	-	-	795,000
Debt service - principal	(820,000)	-	-	-	(820,000)
Operating transfers in	-	-	97,000	-	97,000
Operating transfers (out)	-	-	-	(97,000)	(97,000)
Total other financing sources (uses)	<u>(25,000)</u>	<u>-</u>	<u>97,000</u>	<u>(97,000)</u>	<u>(25,000)</u>
NET CHANGES IN FUND BALANCES	<u>(43,397)</u>	<u>(15,036)</u>	<u>(8,372)</u>	<u>22,700</u>	<u>(44,105)</u>
FUND BALANCE -					
Beginning of year	<u>789,305</u>	<u>52,994</u>	<u>34,331</u>	<u>629,873</u>	<u>1,506,503</u>
FUND BALANCE -					
End of year	<u>\$ 745,908</u>	<u>\$ 37,958</u>	<u>\$ 25,959</u>	<u>\$ 652,573</u>	<u>\$ 1,462,398</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, 2010

Net change in fund balances - total governmental funds	\$ (44,105)
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.	34,223
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.	(309,952)
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.	42,430
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.	(3,330)
The payments of long term debt consumes the current financial resources of governmental funds.	60,000
Other financing sources and uses include debt service payments on bond refunding, net proceeds of the refunding.	<u>25,000</u>
Change in net assets of governmental activities	<u><u>\$ (195,734)</u></u>

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

VILLAGE OF MANCHESTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

ASSETS	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	FUND
CURRENT ASSETS:				
Cash and cash equivalents	\$ 506,186	\$ 611,093	\$ 1,117,279	\$ 277,025
Investments	100,274	192,902	293,176	-
Accounts receivable:				
Taxes	35	138	173	-
Customers	33,562	58,137	91,699	410
Prepaid expenses	2,467	1,288	3,755	8,130
Due from other funds	2,418	9,539	11,957	16,321
Inventory	26,040	-	26,040	-
Special assessment receivable - current	64,015	4,086	68,101	-
Total current assets	734,997	877,183	1,612,180	301,886
NONCURRENT ASSETS:				
Capital assets:				
Land and land improvements	3,005	27,000	30,005	-
Buildings and improvements	121,148	9,400	130,548	-
Equipment, furniture and fixtures	346,880	343,667	690,547	643,584
Distribution and collection system	1,899,654	6,027,185	7,926,839	-
Less - Accumulated depreciation	(657,233)	(3,848,822)	(4,506,055)	(518,849)
Net property and equipment	1,713,454	2,558,430	4,271,884	124,735
Deferred charges:				
Unamortized bond issuance costs	5,414	19,459	24,873	-
Total noncurrent assets	1,718,868	2,577,889	4,296,757	124,735
Total assets	2,453,865	3,455,072	5,908,937	426,621
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	4,652	9,446	14,098	10,580
Accrued interest payable	2,506	1,891	4,397	-
Accrued payroll	536	1,691	2,227	59
Due to other funds	4,706	134,904	139,610	-
Bonds, notes, and loans payable	105,000	88,473	193,473	-
Total current liabilities	117,400	236,405	353,805	10,639
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	290,000	425,809	715,809	-
Total liabilities	407,400	662,214	1,069,614	10,639
NET ASSETS:				
Invested in capital assets - net of related debt	1,318,454	2,044,148	3,362,602	124,735
Restricted for debt service	110,659	167,628	278,287	-
Unrestricted	617,352	581,082	1,198,434	291,247
Total net assets	\$ 2,046,465	\$ 2,792,858	\$ 4,839,323	\$ 415,982

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, 2010

	ENTERPRISE FUNDS			INTERNAL
	WATER	SEWER	TOTAL	SERVICE
				FUND
OPERATING REVENUES:				
Charges for services	\$ 257,687	\$ 374,012	\$ 631,699	\$ 114,334
Charges for services - Bridgewater Township	-	31,642	31,642	-
Connection fees and other charges	5,971	3,410	9,381	-
Total operating revenues	<u>263,658</u>	<u>409,064</u>	<u>672,722</u>	<u>114,334</u>
OPERATING EXPENSES:				
Salaries and wages	67,752	144,154	211,906	20,615
Payroll taxes	5,133	10,873	16,006	1,558
Employee benefits	24,230	51,658	75,888	7,597
Chemicals	8,066	6,489	14,555	-
Operating supplies	15,178	13,032	28,210	9,108
Uniforms	-	855	855	-
Gasoline and oil	-	-	-	14,255
Postage	1,059	1,275	2,334	-
Water meters	153	153	306	-
Purchased services - other	2,780	16,576	19,356	422
Purchased services - water testing	2,153	2,537	4,690	-
Purchased services - sludge removal	-	20,291	20,291	-
Purchased services - engineering	750	1,500	2,250	-
Purchased services - audit	1,155	2,730	3,885	525
Permits and fees	-	3,011	3,011	-
Telephone	768	3,192	3,960	-
Bank fees	491	158	649	230
Public utilities	19,528	39,900	59,428	-
Training, education and seminars	-	615	615	-
Memberships	1,064	105	1,169	-
Repairs and maintenance	13,791	12,809	26,600	14,003
Insurance	2,918	1,526	4,444	9,578
Printing	101	-	101	-
Allocation of equipment costs	14,298	12,300	26,598	-
Miscellaneous	642	146	788	-
Depreciation	83,173	213,027	296,200	31,562
Total operating expenses	<u>265,183</u>	<u>558,912</u>	<u>824,095</u>	<u>109,453</u>
OPERATING INCOME (LOSS)	<u>(1,525)</u>	<u>(149,848)</u>	<u>(151,373)</u>	<u>4,881</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	9,028	9,578	18,606	1,425
Collection of tax assessments	38,527	149,974	188,501	-
Other income	875	835	1,710	-
Gain on sale of assets	-	-	-	4,562
Interest expense	(11,052)	(50,296)	(61,348)	-
Miscellaneous expense	(1,402)	(6,407)	(7,809)	-
Amortization of bond issuance costs	(2,213)	(27,203)	(29,416)	-
Total non-operating revenues (expenses)	<u>33,763</u>	<u>76,481</u>	<u>110,244</u>	<u>5,987</u>
Net change in net assets	32,238	(73,367)	(41,129)	10,868
TOTAL NET ASSETS - Beginning of year	<u>2,014,227</u>	<u>2,866,225</u>	<u>4,880,452</u>	<u>405,114</u>
TOTAL NET ASSETS - End of year	<u>\$ 2,046,465</u>	<u>\$ 2,792,858</u>	<u>\$ 4,839,323</u>	<u>\$ 415,982</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, 2010

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 260,257	\$ 404,585	\$ 664,842	\$ 114,275
Payments to suppliers	(82,492)	(161,820)	(244,312)	(37,049)
Payments to employees	(97,026)	(206,144)	(303,170)	(29,729)
Payments (to) from other funds	16,053	122,128	138,181	(5,362)
Net cash provided (used) by operating activities	<u>96,792</u>	<u>158,749</u>	<u>255,541</u>	<u>42,135</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(111,348)	-	(111,348)	(30,863)
Proceeds from sale of assets	-	-	-	4,650
Principal and interest paid on capital debt	(116,711)	(402,989)	(519,700)	-
Bond issuance cost	-	(19,459)	(19,459)	-
Proceeds from tax/special assessments	102,067	153,975	256,042	-
Other receipts (payments)	(527)	(5,573)	(6,100)	-
Net cash provided (used) by capital and related financing activities	<u>(126,519)</u>	<u>(274,046)</u>	<u>(400,565)</u>	<u>(26,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>9,028</u>	<u>9,578</u>	<u>18,606</u>	<u>1,425</u>
Net increase (decrease) in cash and cash equivalents	(20,699)	(105,719)	(126,418)	17,347
Balances - beginning of year	<u>627,159</u>	<u>909,714</u>	<u>1,536,873</u>	<u>259,678</u>
Balances - end of year	<u>\$ 606,460</u>	<u>\$ 803,995</u>	<u>\$ 1,410,455</u>	<u>\$ 277,025</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (1,525)	\$ (149,848)	\$ (151,373)	\$ 4,881
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	83,173	213,027	296,200	31,562
Change in assets and liabilities				
Receivables - net	(3,393)	(4,479)	(7,872)	(59)
Prepaid expenses	451	238	689	1,448
Due from other funds	16,333	(7,480)	8,853	(5,363)
Inventories	2,099	-	2,099	-
Accounts and other payables	(147)	(22,858)	(23,005)	9,624
Due to other funds	(280)	129,608	129,328	-
Accrued expenses	81	541	622	42
Net cash provided by operating activities	<u>\$ 96,792</u>	<u>\$ 158,749</u>	<u>\$ 255,541</u>	<u>\$ 42,135</u>

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

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>EMPLOYEE INSURANCE FUND</u>	<u>SICK PAY BENEFIT FUND</u>	<u>AGENCY FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 36,900	\$ -	\$ 25,334
Investments	-	52,717	-
Accounts receivable - taxes	-	-	1,042
Due from other funds	2,145	-	101
	<u>39,045</u>	<u>52,717</u>	<u>\$ 26,477</u>
Total assets			
LIABILITIES			
Accounts payable	867	-	\$ -
Accrued leave time	-	25,368	-
Due to other funds	-	-	477
Advances from other funds	-	-	26,000
	<u>867</u>	<u>25,368</u>	<u>\$ 26,477</u>
Total liabilities			
NET ASSETS			
Held in trust for employee benefits	<u>\$ 38,178</u>	<u>\$ 27,349</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, 2010

	EMPLOYEE INSURANCE FUND	SICK PAY BENEFIT FUND
ADDITIONS		
Employer contributions	\$ 10,436	\$ -
Interest income	210	456
Total additions	10,646	456
DEDUCTIONS		
Benefits	8,945	2,741
Bank fees	276	-
Total deductions	9,221	2,741
Change in net assets	1,425	(2,285)
Net assets - beginning of year	36,753	29,634
Net assets - end of year	\$ 38,178	\$ 27,349

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

VILLAGE OF MANCHESTER
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

	<u>PAGE</u> <u>NUMBER</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:	
A. DESCRIPTION OF VILLAGE OPERATIONS	18
B. REPORTING ENTITY	18
C. GOVERNMENT-WIDE FINANCIAL STATEMENTS	18
D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION	19
E. CASH AND CASH EQUIVALENTS	21
F. RECEIVABLES	21
G. INVENTORIES	21
H. PREPAID EXPENSES	21
I. CAPITAL ASSETS	21
J. FUND EQUITY	22
K. ACCUMULATED UNPAID LEAVE PAY	22
L. LONG-TERM OBLIGATIONS	22
M. ESTIMATES	22
NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: BUDGETARY INFORMATION	22
BUDGET VIOLATIONS	23
NOTE 3 - PROPERTY TAXES	23
NOTE 4 - CASH AND INVESTMENTS	24
NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES	25
NOTE 6 - CAPITAL ASSETS	27
NOTE 7 - EMPLOYEES' PENSION PLAN	29
NOTE 8 - OTHER POST RETIRMENT BENEFITS	29
NOTE 9 - CHANGES IN LONG-TERM DEBT	31
NOTE 10 - RISK MANAGEMENT	33
NOTE 11 - JOINT VENTURE	33

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS -

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

B. REPORTING ENTITY -

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

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

The Downtown Development Authority (DDA) is governed by a separate nine member board. The DDA's primary function is to provide for the acquisition, construction and financing of 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, 2010

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, 2010

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, 2010

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, 2010.
- 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 is 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, 2010

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, 2010, the liability included \$31,714 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, 2010

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:

FUND/DEPARTMENT	FINAL AMENDED BUDGET	ACTUAL	(EXCESS BUDGET VARIANCE)
GENERAL FUND			
Municipal bond expenditures	\$ 112,745	\$ 154,274	\$ (41,529)
LOCAL STREET FUND			
Street maintenance	55,870	66,403	(10,533)
Total	\$ 168,615	\$ 220,677	\$ (52,062)

NOTE 3 - PROPERTY TAXES:

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

The Village's operating tax rate is currently 14.9221 mills and is distributed as follows:

General Operation	8.6731
Water Systems	0.5219
Highways and Streets	1.6172
Parks and Recreation	0.6019
Debt Service	3.5080
	14.9221

The taxable value of real and personal property located in the Village was \$76,711,552.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - CASH AND INVESTMENTS:

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

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

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

	Carrying Amount
Cash on hand	\$ 225
Insured (FDIC)	2,448,794
Uninsured and uncollateralized	292,871
	\$ 2,741,890
Reported in financial statements:	
Governmental funds	\$ 1,562,377
Proprietary funds (Business-type)	1,117,279
Fiduciary funds	62,234
	\$ 2,741,890
Component Unit: DDA	
Insured	\$ -
Uninsured and uncollateralized	4,923
	\$ 4,923

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, 2010, the Village had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Certificate of Deposit - Insured	2/10/11	\$ 23,087	S&P-AAA
Certificate of Deposit - Insured	2/10/11	52,717	S&P-AAA
Certificate of Deposit - Insured	11/12/10	192,903	S&P-AAA
Certificate of Deposit - Insured	5/17/11	100,273	S&P-AAA
		\$ 368,980	

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - CASH AND INVESTMENTS: (Continued)

Disclosures Relating to Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at June 30, 2010, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Sewer	\$ 133,000
	-	Trust & Agency	49
	-	Tax Collection	180
	-	Operational Clearing	248
	<u>133,477</u>		<u>133,477</u>
Major Street	<u>1,701</u>	General	<u>1,701</u>
Local Street	<u>1,484</u>	General	<u>1,484</u>
Parks & Recreation	<u>287</u>	General	<u>287</u>
Subtotal	<u>136,949</u>	Subtotal	<u>136,949</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (Continued)

	RECEIVABLES		PAYABLES
Carryover	\$ 136,949	Carryover	\$ 136,949
Water	<u>2,418</u>	General	<u>2,418</u>
Sewer	-	General	5,667
	-	Parks & Recreation	30
	-	Water	<u>3,842</u>
	<u>9,539</u>		<u>9,539</u>
Equipment	-	General Fund	7,394
	-	Major Street	2,091
	-	Local Street	3,585
	-	Parks	500
	-	Sewer	1,904
	-	Water	<u>847</u>
	<u>16,321</u>		<u>16,321</u>
Total	<u>\$ 165,227</u>	Total	<u>\$ 165,227</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – CAPITAL ASSETS:

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

	<u>07/01/09</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/10</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 79,901	\$ -	\$ -	\$ 79,901
Capital assets being depreciated				
Land improvements	201,276	-	-	201,276
Buildings and improvements	2,218,584	-	-	2,218,584
Equipment, furniture and fixtures	929,085	30,863	52,196	907,752
Infrastructure - roads	4,040,931	34,223	50,426	4,024,728
Subtotal	<u>7,389,876</u>	<u>65,086</u>	<u>102,622</u>	<u>7,352,340</u>
Less accumulated depreciation for				
Land improvements	114,862	8,635	-	123,497
Buildings and improvements	515,078	64,289	-	579,367
Equipment, furniture and fixtures	642,205	43,513	52,108	633,610
Infrastructure - roads	1,490,548	193,515	50,426	1,633,637
Subtotal	<u>2,762,693</u>	<u>309,952</u>	<u>102,534</u>	<u>2,970,111</u>
Net capital assets being depreciated	<u>4,627,183</u>	<u>(244,866)</u>	<u>88</u>	<u>4,382,229</u>
Capital assets - net of depreciation	<u>\$ 4,707,084</u>	<u>\$ (244,866)</u>	<u>\$ 88</u>	<u>\$ 4,462,130</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – CAPITAL ASSETS: (Continued)

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

	<u>07/10/09</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>06/30/10</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Capital assets being depreciated				
Buildings and improvements	19,200	111,348	-	130,548
Equipment, furniture and fixtures	690,547	-	-	690,547
Distribution and collections system	7,926,839	-	-	7,926,839
Subtotal	<u>8,636,586</u>	<u>111,348</u>	<u>-</u>	<u>8,747,934</u>
Less accumulated depreciation for				
Buildings and improvements	5,776	5,807	-	11,583
Equipment, furniture and fixtures	191,059	52,405	-	243,464
Distribution and collection system	4,013,020	237,988	-	4,251,008
Subtotal	<u>4,209,855</u>	<u>296,200</u>	<u>-</u>	<u>4,506,055</u>
Net capital assets being depreciated	<u>4,426,731</u>	<u>(184,852)</u>	<u>-</u>	<u>4,241,879</u>
Capital assets - net of depreciation	<u>\$ 4,456,736</u>	<u>\$ (184,852)</u>	<u>\$ -</u>	<u>\$ 4,271,884</u>

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

GOVERNMENTAL ACTIVITIES	<u>\$ 309,952</u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 83,173
Sewer	<u>213,027</u>
Total business type activities	<u>\$ 296,200</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – EMPLOYEES' PENSION PLAN:

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

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

During the year ending June 30, 2010, the Village's required contributions amounted to \$25,606 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2010, was \$489,469 and total payroll subject to retirement benefits was \$431,813.

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

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

NOTE 8 – OTHER POST RETIREMENT BENEFITS:

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

For the year ended June 30, 2010, the Village has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2009. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities over a period not to exceed thirty years.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 – OTHER POST RETIREMENT BENEFITS: (Continued)

The valuation's computed contribution is summarized as follows:

Annual required contribution (recommended)	<u>\$ 17,069</u>
--	------------------

The annual required contribution was allocated with other employee benefits in the financial statements.

The Village contributed 100% of the ARC for the year ended June 30, 2010.

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

Valuation as of July 1, 2009:

Present Value of Future Benefits:

Retirees	\$ 36,417
Active Members	230,510
Total Present Value of Future Benefits	<u>266,927</u>

Actuarial Accrued Liability:

Retirees	36,417
Active Members	76,450
Total Actuarial Accrued Liability	<u>112,867</u>

Actuarial Value of Assets

Unfunded Actuarial Accrued Liability	<u>14,899</u>
	<u>97,968</u>

Funded Ratio	13.20%
--------------	--------

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

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

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

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

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 07/01/09</u>	<u>ADDITIONS OF NEW DEBT</u>	<u>RETIREMENTS AND REPAYMENTS</u>	<u>DEBT OUT- STANDING 06/30/10</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%	\$ 880,000	\$ -	\$ (880,000)	\$ -
2010 General Obligation Bonds, \$795,000 maturing serially in annual amounts ranging from \$56,458 to \$86,485 at an interest rate of 2.0% to 4.0%.	\$ -	\$ 795,000	\$ -	\$ 795,000
Total governmental activities	<u>\$ 880,000</u>	<u>\$ 795,000</u>	<u>\$ (880,000)</u>	<u>\$ 795,000</u>
<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%.	\$ 169,282	\$ -	\$ (55,000)	\$ 114,282
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%.	685,000	-	(685,000)	-
2010 General Obligation Bonds, \$400,000 maturing serially in annual amounts ranging from \$28,452 to \$43,515 at an interest rate of 2.0% to 4.0%.	\$ -	\$ 400,000	\$ -	\$ 400,000
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%	350,000	-	(30,000)	320,000
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%.	150,000	-	(75,000)	75,000
Total business type activities	<u>\$ 1,354,282</u>	<u>\$ 400,000</u>	<u>\$ (845,000)</u>	<u>\$ 909,282</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2011	66,527	18,845
2012	66,527	20,625
2013	66,527	19,295
2014	69,854	17,964
2015	73,180	16,567
Thereafter	452,385	54,738
	\$ 795,000	\$ 148,034

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

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2011	193,473	20,229
2012	127,755	18,220
2013	68,473	16,083
2014	70,146	14,539
2015	70,146	12,961
Thereafter	379,289	37,166
	\$ 909,282	\$ 119,198

In June 2010, the Village refunded current debt in the amount of \$1,455,000 by using cash from reserves in the amount of \$346,000 and obtaining new debt in the amount of \$1,195,000. The cost of refunding these bonds was \$55,244.

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.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – RISK MANAGEMENT:

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

NOTE 11 – JOINT VENTURE:

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

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes - Property taxes	\$ 746,600	\$ 746,000	\$ 749,244	\$ 3,244
Franchise fees	21,000	22,900	22,998	98
Licenses and permits	1,550	1,350	1,800	450
Fees and fines	5,300	5,800	6,006	206
Intergovernmental				
Sales tax	190,500	169,500	169,498	(2)
State liquor control	1,700	1,700	1,538	(162)
State Metro Act	6,800	7,700	7,744	44
Total	199,000	178,900	178,780	(120)
Charges for services				
Reimbursed services	1,250	2,970	3,657	687
Garbage pickup	63,750	72,750	73,263	513
Total	65,000	75,720	76,920	1,200
Rental income	93,650	88,400	88,463	63
Interest income	12,100	5,260	6,011	751
Other revenues	200	3,840	4,489	649
Total Revenues	\$ 1,144,400	\$ 1,128,170	\$ 1,134,711	\$ 6,541

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	<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	\$ -	\$ -	\$ 41,307	\$ -
Payroll taxes	-	-	3,134	-
Employee benefits	-	-	11,051	-
Purchased services - other	-	-	1,500	-
Printing	-	-	38	-
Memberships	-	-	2,134	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
Total legislative	<u>66,700</u>	<u>64,550</u>	<u>62,164</u>	<u>2,386</u>
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	89,100	-
Payroll taxes	-	-	6,761	-
Employee benefits	-	-	24,053	-
Operating supplies	-	-	4,505	-
Election expenses	-	-	848	-
Postage	-	-	3,953	-
Telephone	-	-	3,165	-
Memberships	-	-	303	-
Purchased services - legal	-	-	895	-
Purchased services - audit	-	-	4,620	-
Purchased services - other	-	-	2,530	-
Garbage services	-	-	63,274	-
Printing	-	-	199	-
Insurance	-	-	15,923	-
Travel	-	-	1,230	-
Repairs and maintenance	-	-	1,734	-
Tax refunds	-	-	18,220	-
Bank fees	-	-	1,268	-
Total	<u>226,150</u>	<u>245,240</u>	<u>242,581</u>	<u>2,659</u>

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
BUILDING AND GROUNDS:				
Salaries and wages	-	-	8,078	-
Payroll taxes	-	-	612	-
Employee benefits	-	-	2,269	-
Operating supplies	-	-	6,525	-
Public utilities	-	-	51,350	-
Insurance	-	-	13,275	-
Repairs and maintenance	-	-	9,271	-
Purchased services - cleaning	-	-	23,037	-
Purchased services - other	-	-	5,721	-
Allocation of equipment costs	-	-	8,987	-
Total	152,150	141,300	129,125	12,175
Total general government	378,300	386,540	371,706	14,834
PUBLIC WORKS:				
DEPARTMENT OF PUBLIC WORKS:				
Operating supplies	-	-	1,041	-
Uniforms	-	-	1,278	-
Purchased services - other	-	-	348	-
Telephone	-	-	1,722	-
Memberships	-	-	162	-
Total	7,650	4,750	4,551	199
TREE REMOVAL AND REPLACEMENT:				
Salaries and wages	-	-	811	-
Payroll taxes	-	-	60	-
Employee benefits	-	-	306	-
Purchased services - other	-	-	2,505	-
Allocation of equipment costs	-	-	1,520	-
Total	9,650	6,800	5,202	1,598
SIDEWALK CONSTRUCTION:				
Salaries and wages	-	-	182	-
Payroll taxes	-	-	14	-
Employee benefits	-	-	68	-
Purchased services - other	-	-	300	-
Allocation of equipment costs	-	-	270	-
Total	7,500	1,020	834	186

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
EXPENDITURES: (Continued)				
LIGHTING:				
Street lighting	64,200	66,500	66,452	48
RECYCLING:				
Salaries and wages	-	-	10,079	-
Payroll taxes	-	-	765	-
Employee benefits	-	-	2,524	-
Allocation of equipment costs	-	-	15,816	-
Total	39,850	34,500	29,184	5,316
Total public works	128,850	113,570	106,223	7,347
PUBLIC SAFETY:				
POLICE ADMINISTRATION:				
Purchased services - Police	-	-	448,169	-
Purchased services - Legal	-	-	2,025	-
Total	449,250	456,850	450,194	6,656
PLANNING COMMISSION:				
Salaries and wages	-	-	1,193	-
Payroll taxes	-	-	91	-
Employee benefits	-	-	27	-
Operating supplies	-	-	138	-
Purchased services - planning	-	-	5,853	-
Purchased services - other	-	-	410	-
Printing	-	-	45	-
Training, education and seminars	-	-	165	-
Memberships	-	-	625	-
Total	10,850	9,300	8,547	753
Total public safety	460,100	466,150	458,741	7,409
DEBT SERVICE:				
MUNICIPAL BOND EXPENDITURES:				
Bond principal payments	-	-	60,000	-
Interest	-	-	54,880	-
Bond issuance costs	-	-	36,280	-
Tax refunds	-	-	3,114	-
Total debt service	109,625	112,745	154,274	(41,529)
Total expenditures	1,143,575	1,143,555	1,153,108	(34,553)

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	<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)				
Excess of revenue over expenditures before other financing sources (uses)	\$ 825	\$ (15,385)	\$ (18,397)	\$ (28,012)
OTHER FINANCING SOURCES (USES) -				
Proceeds of refunding bonds	-	-	795,000	-
Debt service - principal	-	-	(820,000)	-
Total other financing sources (uses)	-	-	(25,000)	(25,000)
Net change in fund balances	825	(15,385)	(43,397)	(28,012)
Fund balance, beginning of year	789,305	789,305	789,305	-
Fund balance, end of year	\$ 790,130	\$ 773,920	\$ 745,908	\$ (28,012)

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

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Motor Vehicle Highway Fund payments	\$ 101,000	\$ 105,000	\$ 106,867	\$ 1,867
Charges for services	2,000	-	-	-
Interest income	200	80	122	42
Total revenues	<u>103,200</u>	<u>105,080</u>	<u>106,989</u>	<u>1,909</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	21,770	-
Payroll taxes	-	-	1,648	-
Employee benefits	-	-	7,826	-
Repairs and maintenance	-	-	494	-
Insurance	-	-	2,271	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	525	-
Bank fees	-	-	201	-
Total General Government	<u>36,200</u>	<u>35,530</u>	<u>34,835</u>	<u>695</u>
STREET MAINTENANCE:				
Salaries and wages	-	-	21,765	-
Payroll taxes	-	-	1,636	-
Employee benefits	-	-	7,523	-
Operating supplies	-	-	1,940	-
Purchased services - other	-	-	2,000	-
Allocation of equipment costs	-	-	17,344	-
Repairs and maintenance	-	-	11,790	-
Total	<u>66,300</u>	<u>69,840</u>	<u>63,998</u>	<u>5,842</u>
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	202	-
Payroll taxes	-	-	15	-
Employee benefits	-	-	74	-
Operating supplies	-	-	4	-
Purchased services - engineering	-	-	1,500	-
Allocation of equipment costs	-	-	44	-
Total	<u>-</u>	<u>1,840</u>	<u>1,839</u>	<u>1</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, 2010

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES (Continued):				
PUBLIC WORKS: (Continued)				
WINTER MAINTENANCE:				
Salaries and wages	-	-	2,763	-
Payroll taxes	-	-	210	-
Employee benefits	-	-	1,093	-
Operating supplies	-	-	7,989	-
Purchased services - other	-	-	75	-
Allocation of equipment costs	-	-	5,834	-
Total	<u>32,550</u>	<u>18,450</u>	<u>17,964</u>	<u>486</u>
TRAFFIC SERVICES:				
Salaries and wages	-	-	1,478	-
Payroll taxes	-	-	112	-
Employee benefits	-	-	521	-
Operating supplies	-	-	660	-
Allocation of equipment costs	-	-	618	-
Total	<u>6,050</u>	<u>4,220</u>	<u>3,389</u>	<u>831</u>
Total public works	<u>104,900</u>	<u>94,350</u>	<u>87,190</u>	<u>7,160</u>
Total expenditures	<u>141,100</u>	<u>129,880</u>	<u>122,025</u>	<u>7,855</u>
Excess of revenues over expenditures before other financing sources (uses)	(37,900)	(24,800)	(15,036)	9,764
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>37,900</u>	<u>24,800</u>	-	<u>(24,800)</u>
NET CHANGE IN FUND BALANCE	-	-	(15,036)	(15,036)
FUND BALANCE, BEGINNING OF YEAR	<u>52,994</u>	<u>52,994</u>	<u>52,994</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 52,994</u>	<u>\$ 52,994</u>	<u>\$ 37,958</u>	<u>\$ (15,036)</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, 2010

	<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	\$ 43,300	\$ 43,300	\$ 43,524	\$ 224
Interest income	200	3,630	3,716	86
Total revenues	<u>43,500</u>	<u>46,930</u>	<u>47,240</u>	<u>310</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	14,109	-
Payroll taxes	-	-	1,070	-
Employee benefits	-	-	5,068	-
Purchased services - other	-	-	100	-
Purchased services - audit	-	-	525	-
Bank fees	-	-	260	-
Insurance	-	-	4,088	-
Repairs and maintenance	-	-	494	-
Total General Government	<u>26,700</u>	<u>26,390</u>	<u>25,714</u>	<u>676</u>
PUBLIC WORKS:				
STREET CONSTRUCTION:				
Purchased services - other	-	-	34,171	-
Allocation of equipment costs	-	-	52	-
Total	<u>25,000</u>	<u>34,280</u>	<u>34,223</u>	<u>57</u>
STREET MAINTENANCE:				
Salaries and wages	-	-	22,430	-
Payroll taxes	-	-	1,682	-
Employee benefits	-	-	7,730	-
Operating supplies	-	-	4,432	-
Repairs and maintenance	-	-	8,419	-
Allocation of equipment costs	-	-	21,710	-
Total	<u>60,650</u>	<u>55,870</u>	<u>66,403</u>	<u>(10,533)</u>
WINTER MAINTENANCE:				
Salaries and wages	-	-	2,975	-
Payroll taxes	-	-	226	-
Employee benefits	-	-	1,022	-
Operating supplies	-	-	7,989	-
Purchased services - other	-	-	75	-
Allocation of equipment costs	-	-	7,570	-
Total	<u>25,950</u>	<u>20,120</u>	<u>19,857</u>	<u>263</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, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
EXPENDITURES: (Continued)				
PUBLIC WORKS: (Continued)				
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	39	-
Payroll taxes	-	-	3	-
Operating supplies	-	-	18	-
Purchased services - engineering	-	-	17	-
Total	<u>-</u>	<u>100</u>	<u>77</u>	<u>23</u>
TRAFFIC SERVICES:				
Salaries and wages	-	-	2,140	-
Payroll taxes	-	-	209	-
Employee benefits	-	-	1,049	-
Operating supplies	-	-	984	-
Allocation of equipment costs	-	-	1,956	-
Total	<u>4,950</u>	<u>7,200</u>	<u>6,338</u>	<u>862</u>
Total public works	<u>116,550</u>	<u>117,570</u>	<u>126,898</u>	<u>(9,328)</u>
Total expenditures	<u>143,250</u>	<u>143,960</u>	<u>152,612</u>	<u>(8,652)</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(99,750)</u>	<u>(97,030)</u>	<u>(105,372)</u>	<u>(8,342)</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in (out)	<u>99,750</u>	<u>97,030</u>	<u>97,000</u>	<u>(30)</u>
NET CHANGE IN FUND BALANCE	-	-	(8,372)	(8,372)
FUND BALANCE, BEGINNING OF YEAR	<u>34,331</u>	<u>34,331</u>	<u>34,331</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 34,331</u>	<u>\$ 34,331</u>	<u>\$ 25,959</u>	<u>\$ (8,372)</u>

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

VILLAGE OF MANCHESTER
ADDITIONAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

VILLAGE OF MANCHESTER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	SPECIAL REVENUE FUNDS			
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE- MENT	TOTAL
ASSETS				
Cash and cash equivalents	\$ 204,739	\$ 94,896	\$ 343,886	\$ 643,521
Accounts receivable - taxes	110	41	-	151
Prepaid expenses	-	1,835	-	1,835
Due from other funds	-	287	-	287
Advances to other units	-	-	10,000	10,000
	<u>\$ 204,849</u>	<u>\$ 97,059</u>	<u>\$ 353,886</u>	<u>\$ 655,794</u>
Total assets	<u>\$ 204,849</u>	<u>\$ 97,059</u>	<u>\$ 353,886</u>	<u>\$ 655,794</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ -	\$ 2,052	\$ -	\$ 2,052
Accrued payroll	-	558	-	558
Due to other funds	81	530	-	611
Total liabilities	<u>81</u>	<u>3,140</u>	<u>-</u>	<u>3,221</u>
FUND BALANCE:				
Unreserved	204,768	93,919	353,886	652,573
Total fund balance	<u>204,768</u>	<u>93,919</u>	<u>353,886</u>	<u>652,573</u>
Total liabilities and fund balance	<u>\$ 204,849</u>	<u>\$ 97,059</u>	<u>\$ 353,886</u>	<u>\$ 655,794</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, 2010

	SPECIAL REVENUE FUNDS			TOTAL
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE-MENT	
REVENUES:				
Taxes and penalties	\$ 119,383	\$ 44,433	\$ -	\$ 163,816
Interest income	1,121	533	2,390	4,044
Contributions	-	1,033	-	1,033
Other revenue	-	180	-	180
Total revenues	<u>120,504</u>	<u>46,179</u>	<u>2,390</u>	<u>169,073</u>
EXPENDITURES:				
Salaries and wages	-	15,087	-	15,087
Payroll taxes	-	1,124	-	1,124
Employee benefits	-	2,874	-	2,874
Operating supplies	-	4,761	-	4,761
Purchased services - other	-	4,984	-	4,984
Purchased services - audit	-	420	-	420
Repairs and maintenance	-	3,237	-	3,237
Public utilities	-	1,218	-	1,218
Insurance	-	2,148	-	2,148
Allocation of equipment costs	-	6,000	-	6,000
Equipment replacement	-	2,161	-	2,161
Tax refunds	3,619	1,479	-	5,098
Bank fees	-	261	-	261
Total expenditures	<u>3,619</u>	<u>45,754</u>	<u>-</u>	<u>49,373</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>116,885</u>	<u>425</u>	<u>2,390</u>	<u>119,700</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	<u>(97,000)</u>	<u>-</u>	<u>-</u>	<u>(97,000)</u>
Total other financing sources (uses)	<u>(97,000)</u>	<u>-</u>	<u>-</u>	<u>(97,000)</u>
NET CHANGE IN FUND BALANCES	19,885	425	2,390	22,700
FUND BALANCE - Beginning of year	<u>184,883</u>	<u>93,494</u>	<u>351,496</u>	<u>629,873</u>
FUND BALANCE - End of year	<u>\$ 204,768</u>	<u>\$ 93,919</u>	<u>\$ 353,886</u>	<u>\$ 652,573</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, 2010

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2010

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/10	06/30/11	
<u>BUSINESS TYPE ACTIVITIES</u>								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Sewer - Series 2010	06/22/10	\$ 400,000	2.00%	05/01/11	\$ 33,473	\$ 33,473	\$ -	\$ 9,482
			2.00%	05/01/12	33,473	33,473	33,473	10,377
			2.00%	05/01/13	33,473	33,473	33,473	9,708
			2.00%	05/01/14	35,146	35,146	35,146	9,039
			2.25%	05/01/15	35,146	35,146	35,146	8,336
			2.65%	05/01/16	36,820	36,820	36,820	7,545
			3.00%	05/01/17	38,494	38,494	38,494	6,569
			3.15%	05/01/18	40,167	40,167	40,167	5,414
			3.40%	05/01/19	41,841	41,841	41,841	4,149
			3.65%	05/01/20	43,515	43,515	43,515	2,726
			4.00%	05/01/21	28,452	28,452	28,452	1,138
Total Unlimited Tax General Obligation Bonds						\$ 400,000	\$ 366,527	\$ 74,483
<u>MICHIGAN MUNICIPAL BOND AUTHORITY</u>								
Michigan Drinking Water Revolving Fund	09/29/98	\$ 620,000	2.50%	04/01/11	\$ 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						\$ 320,000	\$ 290,000	\$ 41,375
General Obligation Bonds:								
Series 1991	03/28/91	\$ 955,000	2.00%	10/01/10	\$ 55,000	\$ 55,000	\$ -	\$ 1,736
			2.00%	10/01/11	59,282	59,282	59,282	593
Total General Obligation Bonds						\$ 114,282	\$ 59,282	\$ 2,329
Special Assessment Bonds:								
Series 2004	03/15/04	\$ 490,000	2.70%	10/01/10	\$ 75,000	\$ 75,000	\$ -	\$ 1,011
Total Water and Sewer Enterprise Funds						\$ 909,282	\$ 715,809	\$ 119,198
<u>GOVERNMENTAL ACTIVITIES</u>								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Sewer - Series 2010	06/22/10	\$ 795,000	2.00%	05/01/11	\$ 66,527	\$ 66,527	\$ -	\$ 18,845
			2.00%	05/01/12	66,527	66,527	66,527	20,625
			2.00%	05/01/13	66,527	66,527	66,527	19,295
			2.00%	05/01/14	69,854	69,854	69,854	17,964
			2.25%	05/01/15	69,854	69,854	69,854	16,567
			2.65%	05/01/16	73,180	73,180	73,180	14,995
			3.00%	05/01/17	76,506	76,506	76,506	13,056
			3.15%	05/01/18	79,833	79,833	79,833	10,761
			3.40%	05/01/19	83,159	83,159	83,159	8,246
			3.65%	05/01/20	86,485	86,485	86,485	5,419
			4.00%	05/01/21	56,548	56,548	56,548	2,261
Total General Government Activity						\$ 795,000	\$ 728,473	\$ 148,034

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

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

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION OF AUDITOR/VILLAGE RESPONSIBILITY

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. 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 27, 2010 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 2010. We noted no transactions entered into by the Village of Manchester during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

Difficulties Encountered in Performing the Audit.

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2010.

Village Council
Village of Manchester
Page Three

Management Consultations with Other Independent Accountants

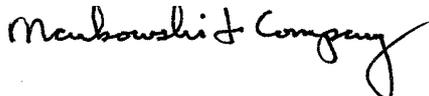
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Village of Manchester’s financial statements or a determination 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 20, 2010

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

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

WWW.MARKOWSKICPAS.COM

RONALD L. MARKOWSKI, C.P.A.

DOUGLAS E. ATKINS, C.P.A.

SCOTT O. McLANE

RANDALL D. BIDDIX, C.P.A.

FOUNDING PARTNER:

K. LAVERNE MARKOWSKI, CPA (1961-2006)

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Manchester Village Council

Manchester, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Manchester as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Manchester's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Manchester's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Manchester's internal control.

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

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

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

Segregation of Duties

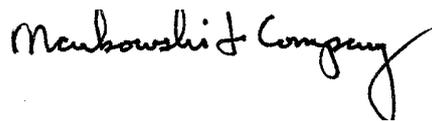
Because of the limited size of the Village of Manchester's accounting staff, proper segregation of controls cannot be accomplished. This is an inherent weakness in the internal controls of the Village. The Village management needs to continue to exercise appropriate management oversight to help compensate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

Village of Manchester

Manchester, Michigan

Page 2

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

A handwritten signature in cursive script that reads "Markowski & Company". The signature is written in black ink and is positioned above the printed name of the firm.

Markowski & Company, CPAs

October 20, 2010

VILLAGE OF MANCHESTER
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

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.