

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* VILLAGE OF MANCHESTER	County* WASHTENAW	Type* VILLAGE	MuniCode* 81-3-030
Opinion Date-Use Calendar* Oct 3, 2008	Audit Submitted-Use Calendar* Nov 18, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?      14. If not, what type of opinion is it?      NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 1,190,227.00
General Fund Expenditure: ?	\$ 1,107,211.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 750,746.00
Governmental Activities Long-Term Debt (see instructions): ?	\$ 935,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DOUGLAS	Last Name* ATKINS	Ten Digit License Number* 1101016353		
CPA Street Address* 2880 SPRING ARBOR RD	City* JACKSON	State* MI	Zip Code* 49203	Telephone* +1 (517) 782-9351
CPA Firm Name* MARKOWSKI & COMPANY	Unit's Street Address* 912 CITY ROAD	Unit's City* MANCHESTER	Unit's Zip* 48158	

**VILLAGE OF MANCHESTER**  
**WASHTENAW COUNTY, MICHIGAN**  
AUDITED FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDING JUNE 30, 2008

**VILLAGE OF MANCHESTER**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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 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	33
BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND	38
BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND	40
ADDITIONAL INFORMATION:	
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	42
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS	43
SCHEDULE OF INDEBTEDNESS	44

# MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD

JACKSON, MICHIGAN 49203

PHONE (517) 782-9351

FAX (517) 782-0599

**MEMBERS:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of Manchester  
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and remaining fund information, which collectively comprise the basic financial statements, of the Village of Manchester, Michigan, as of and for the year ended June 30, 2008, 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, 2008, and the changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Yours truly,

*Markowski & Company, CPAs*

MARKOWSKI & COMPANY, CPAs  
October 3, 2008

## 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, 2008. 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 \$10,543,209. Of this amount, \$3,316,440 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$6,841,880 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 increased \$876,170 in 2008. Governmental activities net assets increased \$744,406 and Business-Type activities increased \$131,764 respectively.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	\$ 1,761,052	\$ 1,975,078	\$ 1,890,650	\$ 2,401,717	\$ 3,651,702	\$ 4,376,795
Noncurrent Assets	4,925,046	4,106,908	4,600,974	4,580,376	9,526,020	8,687,284
<b>Total Assets</b>	<b>6,686,098</b>	<b>6,081,986</b>	<b>6,491,624</b>	<b>6,982,093</b>	<b>13,177,722</b>	<b>13,064,079</b>
Current Liabilities	131,378	216,672	268,853	331,086	400,231	547,758
Long-Term Debt	880,000	935,000	1,354,282	1,914,282	2,234,282	2,849,282
<b>Total Liabilities</b>	<b>1,011,378</b>	<b>1,151,672</b>	<b>1,623,135</b>	<b>2,245,368</b>	<b>2,634,513</b>	<b>3,397,040</b>
<b>Net Assets</b>						
Invested in Capital Assets -						
Net of Related Debt	3,980,046	3,121,908	2,861,834	2,269,780	6,841,880	5,391,688
Restricted for Debt Service	56,673	111,705	305,548	317,394	362,221	429,099
Restricted for Capital Projects	22,668	25,597	-	-	22,668	25,597
Unrestricted	1,615,333	1,671,104	1,701,107	2,149,551	3,316,440	3,820,655
<b>Total Net Assets</b>	<b>\$ 5,674,720</b>	<b>\$ 4,930,314</b>	<b>\$ 4,868,489</b>	<b>\$ 4,736,725</b>	<b>\$ 10,543,209</b>	<b>\$ 9,667,039</b>

## Management's Discussion and Analysis

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for Services	\$ 216,848	\$ 212,131	\$ 716,138	\$ 596,833	\$ 932,986	\$ 808,964
Operating grants and Contributions	322,176	330,840	-	-	322,176	330,840
Capital grants and Contributions	804,118	200,075	273,616	250,380	1,077,734	450,455
General Revenues						
Property Taxes	644,529	651,345	-	-	644,529	651,345
State-Shared Revenues	207,652	207,507	-	-	207,652	207,507
Interest Income	71,646	86,821	75,355	96,976	147,001	183,797
Franchise Fees	22,270	22,255	-	-	22,270	22,255
Other Income	16,650	21,715	2,018	8,124	18,668	29,839
<b>Total Revenues</b>	<b>2,305,889</b>	<b>1,732,689</b>	<b>1,067,127</b>	<b>952,313</b>	<b>3,373,016</b>	<b>2,685,002</b>
Program Expenses						
Legislative	64,989	81,330	-	-	64,989	81,330
General Government	358,988	382,806	-	-	358,988	382,806
Public Safety	450,659	421,805	-	-	450,659	421,805
Public Works	311,983	286,346	-	-	311,983	286,346
Recreational and Cultural	31,712	38,841	-	-	31,712	38,841
Interest on Long Term Debt	54,963	60,438	-	-	54,963	60,438
Depreciation	288,189	239,857	-	-	288,189	239,857
Water and Sewer	-	-	935,363	860,684	935,363	860,684
<b>Total Expenses</b>	<b>1,561,483</b>	<b>1,511,423</b>	<b>935,363</b>	<b>860,684</b>	<b>2,496,846</b>	<b>2,372,107</b>
<b>Change in Net Assets</b>	<b>\$ 744,406</b>	<b>\$ 221,266</b>	<b>\$ 131,764</b>	<b>\$ 91,629</b>	<b>\$ 876,170</b>	<b>\$ 312,895</b>

### Government Activities

The Village's total governmental revenues increased by \$573,200. A capital contribution was received from state and federal agencies as the Village was able to take advantage of an 80/20 matching grant for a local major street reconstruction. The contributed portion of the grant was \$682,639. Other revenues remained flat.

Capital grants and contributions were received for community playground equipment located in Carr Park.

Governmental expenses increased by 3% as the Village administration and management has taken actions to reduce expenditures in order to balance its budget. Significant increased in public works (9%) were attributable to winter maintenance due to a severe winter, and public safety (7%) as contracted police services continue to rise. The Village does have room to increase its millage for tax revenues but has chosen not to do so. Property tax and state shared revenues have remained flat, continuing to make it more difficult to continue to provide essential services as costs increase.

## Management's Discussion and Analysis

### **Business Type Activities**

The Village's business-type activities consist of its Water and Sewer funds. During 2008, net assets increased by \$131,764. Operating revenues increased by (20%) as commercial customers increased usage. The Village continues to contract with a neighboring township to run their waste water treatment plant. This has increased the revenues with little to no additional cost to the Village. The Village also continued implementation of the five-year plan increasing usage rates to maintain the overall health of the Water and Sewer system.

Business type expenditures increased 9% as costs increased to repair and maintain an aging public utility infrastructure.

### **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, related to the general governmental activities for the Village, which is financed by property tax levies, by distribution of state shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance increased by \$83,016 primarily by decreasing expenditures by 2% (net of capital outlay and debt service). Total revenues remained flat, as tax revenues for operating purposes saw a small decline as property valued decrease within the Village.

The Water and Sewer Funds are used to account for business-like activities provided to the Village's residents. The Village charges for water and sewer service and other related goods and services. Net Assets increased \$131,764 in part by capital contributions from the state and federal governments in replacing sewer and storm sewer infrastructure during construction of Hibbard Street. Operating revenues increased 20% as commercial customers increased usage. The Village continues to contract with a neighboring township to run their waste water treatment plant. This has increased the revenues with little to not additional cost to the Village. The Village also continued implementation of the five-year plan increasing usage rates to maintain the overall health of the Water and Sewer system.

Operating expenditures in these funds increased by 12% due to increased costs in repairs and maintenance to the existing utility system.

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 \$72,049 as a construction project on Hibbard Street neared completion. The Local Street Fund's fund balance decreased by \$3,973 as costs for maintaining local streets were more than state revenues received. The Village levies a municipal street tax in order to maintain the stability of these funds.

### **General Fund Budgetary Highlights**

The original budget adopted for the Village's General Fund projected a \$5,819 decrease 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 \$13,181 increase in fund balance as changes were made as needed. Actual fund balance increased by \$83,016 which exceeded budgeted expectations.

Administration correctly anticipated stagnant tax revenues and flat state shared revenues. The Village continues to cut cost where necessary in order to maintain financial stability.

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

The Village continues to maintain and improve the sewer and water infrastructure, street systems, fleets of vehicles and buildings and grounds while maintaining and meeting all of its debt obligations. Major street improvements were achieved through the Village taking advantage of federal and state grants.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 153,233	\$ 30,005	\$ 183,238
Buildings and improvements	1,757,967	14,205	1,772,172
Equipment, furniture and fixtures	301,972	230,099	532,071
Infrastructure	2,701,874	-	2,701,874
Distribution and collection system	-	4,151,807	4,151,807
Total	<u>\$ 4,915,046</u>	<u>\$ 4,426,116</u>	<u>\$ 9,341,162</u>

At the end of the year the Village had total debt outstanding of \$2,499,282.

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

The Village of Manchester remains in a strong financial position. There are economic climate challenges in the State of Michigan, but the Village will continue to provide the same levels of service to the residential, commercial and industrial taxpayers. This is possible due to the conservative fiscal policies that succession of Village Councils have supported and followed.

The recent Michigan Department of Treasury fiscal indicators score of 0 evidences the Village's financial security. This score ranks Manchester in the top 16% of Michigan villages in regards to fiscal responsibility. The financial resources have been managed appropriately and have put the Village in an excellent position relative to other Michigan communities.

The Village of Manchester will again hold the line on taxes and millage rates for the 2008/2009 budget year. Management and staff continue to pursue cost cutting measures instead of increasing millage rates. The Village will continue to operate below the maximum millage rates as set by the Headlee Amendment and Proposal legislation. Plans for the upcoming year include sidewalk installation, street paving, and tree planting. The leaf pick-up, brush chipping and Christmas tree removal services will also continue. Collaboration with other communities will help keep 24/7 Washtenaw County Sheriff deputy services. The Village is also studying other policing alternatives, as County rates remain a concern.

Delivery of water and sewer services is one of the Village's most important tasks and improvements to these systems are ongoing. The five-year rate plan had called for 10% increases this year, but with increased efficiencies in these business units, the rates will only be increased 2.5% in water and 3% in sewer.

The planning for the downtown enhancement project has entered a very busy phase with the Downtown Development Authority, Village Council, Management, and the State of Michigan working together. This project, which reconstructs M-52 through the Village limits and adds enhancements in the commercial area, is projected by MDOT to start in 2010.

As Village government monitors high energy prices, unemployment, the meltdown in housing and stock prices and the economy as a whole, it 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 the residents by containing costs and maintaining services.

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

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

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village Manager at 912 City Road, Manchester, MI 48158.

**VILLAGE OF MANCHESTER**  
BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**VILLAGE OF MANCHESTER**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNIT</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,168,734	\$ 1,821,839	\$ 2,990,573	\$ 15,217
Investments	316,233	-	316,233	-
Accounts receivable:				
Taxes	1,095	217	1,312	118
Customers	37,936	92,984	130,920	-
Other	38,630	-	38,630	-
Due from other governments	87,381	-	87,381	-
Internal balances	111,043	(111,043)	-	-
Inventory	-	18,718	18,718	-
Notes receivable - current	-	67,935	67,935	-
Total current assets	<u>1,761,052</u>	<u>1,890,650</u>	<u>3,651,702</u>	<u>15,335</u>
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Land and land improvements	259,155	30,005	289,160	-
Buildings and improvements	2,208,984	19,200	2,228,184	-
Equipment, furniture and fixtures	900,185	378,005	1,278,190	-
Infrastructure - roads	3,991,608	-	3,991,608	-
Distribution and collection system	-	7,926,839	7,926,839	-
Less - Accumulated depreciation	(2,444,886)	(3,927,933)	(6,372,819)	-
Net property and equipment	4,915,046	4,426,116	9,341,162	-
Prepaid planning expenses	-	-	-	20,000
Notes receivable	10,000	135,871	145,871	-
Deferred charges	-	38,987	38,987	-
Total noncurrent assets	<u>4,925,046</u>	<u>4,600,974</u>	<u>9,526,020</u>	<u>20,000</u>
Total assets	<u>6,686,098</u>	<u>6,491,624</u>	<u>13,177,722</u>	<u>35,335</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	29,203	38,364	67,567	10,000
Accrued interest payable	8,692	19,570	28,262	-
Accrued payroll	912	919	1,831	-
Accrued leave payable	24,571	-	24,571	-
Deposits	13,000	-	13,000	-
Bonds, notes, and loans payable	55,000	210,000	265,000	-
Total current liabilities	<u>131,378</u>	<u>268,853</u>	<u>400,231</u>	<u>10,000</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds, notes, and loans payable	880,000	1,354,282	2,234,282	10,000
Total liabilities	<u>1,011,378</u>	<u>1,623,135</u>	<u>2,634,513</u>	<u>20,000</u>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	3,980,046	2,861,834	6,841,880	-
Restricted for debt service	56,673	305,548	362,221	-
Restricted for capital projects	22,668	-	22,668	-
Unrestricted	1,615,333	1,701,107	3,316,440	15,335
Total net assets	<u>\$ 5,674,720</u>	<u>\$ 4,868,489</u>	<u>\$ 10,543,209</u>	<u>\$ 15,335</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, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 64,989	\$ -	\$ -	\$ -
General government	358,988	167,474	-	97,796
Public safety	450,659	11,768	-	-
Public works	311,983	37,606	271,600	682,639
Recreational and cultural	31,712	-	50,576	23,683
Interest on long-term debt	54,963	-	-	-
Depreciation	288,189	-	-	-
Total governmental activities	1,561,483	216,848	322,176	804,118
Business-type activities				
Water and sewer	935,363	716,138	-	273,616
Total primary government	\$ 2,496,846	\$ 932,986	\$ 322,176	\$ 1,077,734
Component Unit:				
Downtown Development Authority	\$ 149	\$ -	\$ -	\$ -

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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (64,989)	\$ -	\$ (64,989)	\$ -
(93,718)	-	(93,718)	-
(438,891)	-	(438,891)	-
679,862	-	679,862	-
42,547	-	42,547	-
(54,963)	-	(54,963)	-
(288,189)	-	(288,189)	-
(218,341)	-	(218,341)	-
-	54,391	54,391	-
(218,341)	54,391	(163,950)	-
-	-	-	149
644,529	-	644,529	11,106
207,652	-	207,652	-
71,646	75,355	147,001	173
22,270	-	22,270	-
16,650	2,018	18,668	4,205
962,747	77,373	1,040,120	15,484
744,406	131,764	876,170	15,335
4,930,314	4,736,725	9,667,039	-
\$ 5,674,720	\$ 4,868,489	\$ 10,543,209	\$ 15,335

**VILLAGE OF MANCHESTER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 366,747	\$ 8,516	\$ 2,367	\$ 537,642	\$ 915,272
Investments	316,233	-	-	-	316,233
Accounts receivable:					
Taxes	887	-	-	208	1,095
Customers	24,176	239	13,184	-	37,599
Other	5,564	-	-	-	5,564
Due from other funds	8,990	120,653	311	46	130,000
Due from other governments	63,168	17,290	6,923	-	87,381
Advances to other funds	13,000	-	-	10,000	23,000
	<u>798,765</u>	<u>146,698</u>	<u>22,785</u>	<u>547,896</u>	<u>1,516,144</u>
Total assets	<u>\$ 798,765</u>	<u>\$ 146,698</u>	<u>\$ 22,785</u>	<u>\$ 547,896</u>	<u>\$ 1,516,144</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 20,085	\$ -	\$ 747	\$ 401	\$ 21,233
Accrued interest payable	8,692	-	-	-	8,692
Accrued payroll	369	225	110	175	879
Due to other funds	5,873	1,379	1,941	502	9,695
Deposits	13,000	-	-	-	13,000
Total liabilities	<u>48,019</u>	<u>1,604</u>	<u>2,798</u>	<u>1,078</u>	<u>53,499</u>
<b>FUND BALANCES</b>					
Fund balances - Reserved:					
Debt service	56,673	-	-	-	56,673
Capital outlay	22,668	-	-	1,633	24,301
Fund balances - Unreserved	671,405	145,094	19,987	545,185	1,381,671
Total fund balances	<u>750,746</u>	<u>145,094</u>	<u>19,987</u>	<u>546,818</u>	<u>1,462,645</u>
Total liabilities and fund equity	<u>\$ 798,765</u>	<u>\$ 146,698</u>	<u>\$ 22,785</u>	<u>\$ 547,896</u>	<u>\$ 1,516,144</u>

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

**VILLAGE OF MANCHESTER**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

Total fund balance - total governmental funds	\$ 1,462,645
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).	4,915,046
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	256,600
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(935,000)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(24,571)</u>
Net assets of governmental activities	<u><u>\$ 5,674,720</u></u>

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

**VILLAGE OF MANCHESTER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	<b>GENERAL FUND</b>	<b>MAJOR STREET</b>	<b>LOCAL STREET</b>	<b>OTHER GOVERNMENT FUNDS</b>	<b>TOTAL</b>
<b>REVENUES:</b>					
Taxes and penalties	\$ 742,325	\$ -	\$ -	\$ 174,352	\$ 916,677
Franchise fee	22,270	-	-	-	22,270
Licenses and permits	2,100	-	-	-	2,100
Fees and fines	11,768	-	-	-	11,768
Intergovernmental - State	207,652	788,217	42,246	-	1,038,115
Charges for services	80,224	2,893	-	-	83,117
Rental income	85,150	-	-	-	85,150
Interest income	34,050	3,018	-	27,218	64,286
Other revenues	4,688	11,962	-	23,683	40,333
Total revenues	<u>1,190,227</u>	<u>806,090</u>	<u>42,246</u>	<u>225,253</u>	<u>2,263,816</u>
<b>EXPENDITURES:</b>					
Current:					
Legislative	64,989	-	-	-	64,989
General government	364,415	-	-	-	364,415
Public safety	450,659	-	-	-	450,659
Public works	100,721	1,149,639	109,719	27	1,360,106
Recreational & cultural	-	-	-	33,693	33,693
Capital outlay	21,464	-	-	52,805	74,269
Debt service	104,963	-	-	-	104,963
Total expenditures	<u>1,107,211</u>	<u>1,149,639</u>	<u>109,719</u>	<u>86,525</u>	<u>2,453,094</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>83,016</u>	<u>(343,549)</u>	<u>(67,473)</u>	<u>138,728</u>	<u>(189,278)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	271,500	63,500	-	335,000
Operating transfers (out)	-	-	-	(335,000)	(335,000)
Total other financing sources (uses)	<u>-</u>	<u>271,500</u>	<u>63,500</u>	<u>(335,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>83,016</u>	<u>(72,049)</u>	<u>(3,973)</u>	<u>(196,272)</u>	<u>(189,278)</u>
<b>FUND BALANCE -</b>					
Beginning of year	<u>667,730</u>	<u>217,143</u>	<u>23,960</u>	<u>743,090</u>	<u>1,651,923</u>
<b>FUND BALANCE -</b>					
End of year	<u>\$ 750,746</u>	<u>\$ 145,094</u>	<u>\$ 19,987</u>	<u>\$ 546,818</u>	<u>\$ 1,462,645</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, 2008

Net change in fund balances - total governmental funds	\$ (189,278)
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.	1,096,327
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(288,189)
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.	74,401
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	1,145
The payments of long term debt consumes the current financial resources of governmental funds.	<u>50,000</u>
Change in net assets of governmental activities	<u>\$ 744,406</u>

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

**VILLAGE OF MANCHESTER**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**

<b>ASSETS</b>	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL SERVICE FUND</b>
	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>	
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 759,933	\$ 1,061,906	\$ 1,821,839	\$ 253,462
Accounts receivable:				
Taxes	45	172	217	-
Customers	31,619	61,365	92,984	337
Due from other funds	15,737	649	16,386	10,804
Inventory	18,718	-	18,718	-
Special assessment receivable - current	63,859	4,076	67,935	-
Total current assets	889,911	1,128,168	2,018,079	264,603
<b>NONCURRENT ASSETS:</b>				
Capital assets:				
Land and land improvements	3,005	27,000	30,005	-
Buildings and improvements	9,800	9,400	19,200	-
Equipment, furniture and fixtures	208,369	169,636	378,005	636,017
Distribution and collection system	1,899,654	6,027,185	7,926,839	-
Less - Accumulated depreciation	(502,117)	(3,425,816)	(3,927,933)	(508,447)
Net property and equipment	1,618,711	2,807,405	4,426,116	127,570
Special assessment receivable	127,841	8,030	135,871	-
Deferred charges:				
Unamortized bond issuance costs	9,840	29,147	38,987	-
Total noncurrent assets	1,756,392	2,844,582	4,600,974	127,570
Total assets	2,646,303	3,972,750	6,619,053	392,173
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	21,564	16,800	38,364	7,970
Accrued interest payable	3,744	15,826	19,570	-
Accrued payroll	408	511	919	33
Due to other funds	23,244	104,185	127,429	-
Bonds, notes, and loans payable	105,000	105,000	210,000	-
Total current liabilities	153,960	242,322	396,282	8,003
<b>NONCURRENT LIABILITIES:</b>				
Bonds, notes, and loans payable	500,000	854,282	1,354,282	-
Total liabilities	653,960	1,096,604	1,750,564	8,003
<b>NET ASSETS:</b>				
Invested in capital assets - net of related debt	1,013,711	1,848,123	2,861,834	127,570
Restricted for debt service	129,382	176,166	305,548	-
Unrestricted	849,250	851,857	1,701,107	256,600
Total net assets	\$ 1,992,343	\$ 2,876,146	\$ 4,868,489	\$ 384,170

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, 2008**

	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL</b>
	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>	<b>SERVICE</b> <b>FUND</b>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 260,214	\$ 368,806	\$ 629,020	\$ 147,414
Charges for services - Bridgewater Township	-	46,778	46,778	-
Connection fees	9,600	30,740	40,340	-
Total operating revenues	<u>269,814</u>	<u>446,324</u>	<u>716,138</u>	<u>147,414</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	73,023	128,357	201,380	17,139
Payroll taxes	5,707	9,997	15,704	1,327
Employee benefits	25,346	44,610	69,956	5,716
Chemicals	5,070	8,749	13,819	-
Operating supplies	9,305	11,187	20,492	12,802
Gasoline and oil	-	-	-	22,724
Postage	1,686	1,847	3,533	-
Water meters	6,347	6,347	12,694	-
Purchased services - other	3,450	29,676	33,126	125
Purchased services - water testing	2,038	2,537	4,575	-
Purchased services - sludge removal	-	24,255	24,255	-
Purchased services - engineering	-	15,200	15,200	-
Purchased services - legal	-	85	85	-
Purchased services - audit	2,378	3,171	5,549	566
Permits and fees	-	2,625	2,625	-
Telephone	565	2,645	3,210	-
Public utilities	16,465	35,476	51,941	-
Training, education and seminars	837	651	1,488	-
Memberships	570	-	570	-
Repairs and maintenance	15,127	20,892	36,019	8,334
Insurance	3,670	2,202	5,872	8,387
Printing	390	-	390	-
Equipment replacement	-	3,766	3,766	3,253
Allocation of equipment costs	21,044	13,669	34,713	-
Depreciation	64,071	200,940	265,011	33,083
Total operating expenses	<u>257,089</u>	<u>568,884</u>	<u>825,973</u>	<u>113,456</u>
<b>OPERATING INCOME (LOSS)</b>	<u>12,725</u>	<u>(122,560)</u>	<u>(109,835)</u>	<u>33,958</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	32,758	42,597	75,355	7,360
Collection of tax assessments	37,717	143,715	181,432	-
Other income	1,737	281	2,018	-
Interest expense	(15,913)	(54,667)	(70,580)	-
Miscellaneous expense	(260)	(531)	(791)	-
Amortization of bond issuance costs	(2,213)	(8,309)	(10,522)	-
Total non-operating revenues (expenses)	<u>53,826</u>	<u>123,086</u>	<u>176,912</u>	<u>7,360</u>
Income (loss) before capital contributions and extraordinary (loss) from defeased debt	<u>66,551</u>	<u>526</u>	<u>67,077</u>	<u>41,318</u>
<b>CAPITAL CONTRIBUTIONS</b>	1,236	90,948	92,184	-
<b>EXTRAORDINARY (LOSS) - From defeased debt</b>	-	(27,497)	(27,497)	-
Total capital contributions and extraordinary losses	<u>1,236</u>	<u>63,451</u>	<u>64,687</u>	<u>-</u>
Net change in net assets	<u>67,787</u>	<u>63,977</u>	<u>131,764</u>	<u>41,318</u>
<b>TOTAL NET ASSETS - Beginning of year</b>	<u>1,924,556</u>	<u>2,812,169</u>	<u>4,736,725</u>	<u>342,852</u>
<b>TOTAL NET ASSETS - End of year</b>	<u>\$ 1,992,343</u>	<u>\$ 2,876,146</u>	<u>\$ 4,868,489</u>	<u>\$ 384,170</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, 2008**

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 263,631	\$ 440,318	\$ 703,949	\$ 149,473
Payments to suppliers	(83,806)	(191,254)	(275,060)	(41,379)
Payments to employees	(106,068)	(186,297)	(292,365)	(24,429)
Payments (to) from other funds	22,087	99,467	121,554	-
Net cash provided (used) by operating activities	<u>95,844</u>	<u>162,234</u>	<u>258,078</u>	<u>83,665</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(43,733)	(121,147)	(164,880)	-
Principal and interest paid on capital debt	(121,475)	(558,704)	(680,179)	-
Proceeds from tax/special assessments	174,415	163,418	337,833	-
Other receipts (payments)	1,476	(250)	1,226	-
Net cash provided (used) by capital and related financing activities	<u>10,683</u>	<u>(516,683)</u>	<u>(506,000)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>32,758</u>	<u>42,597</u>	<u>75,355</u>	<u>7,360</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	139,285	(311,852)	(172,567)	91,025
<b>Balances - beginning of year</b>	<u>620,648</u>	<u>1,373,758</u>	<u>1,994,406</u>	<u>162,437</u>
<b>Balances - end of year</b>	<u>\$ 759,933</u>	<u>\$ 1,061,906</u>	<u>\$ 1,821,839</u>	<u>\$ 253,462</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 12,725	\$ (122,560)	\$ (109,835)	33,958
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	64,071	200,940	265,011	33,083
Change in assets and liabilities				
Receivables - net	(6,183)	(6,006)	(12,189)	115
Prepaid expenses	3,670	2,202	5,872	8,387
Due from other funds	1,006	1,478	2,484	1,944
Inventories	299	-	299	-
Accounts and other payables	1,167	(8,476)	(7,309)	6,425
Due to other funds	21,081	97,989	119,070	-
Accrued expenses	(1,992)	(3,333)	(5,325)	(247)
<b>Net cash provided by operating activities</b>	<u>\$ 95,844</u>	<u>\$ 162,234</u>	<u>\$ 258,078</u>	<u>\$ 83,665</u>

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

**VILLAGE OF MANCHESTER**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2008**

<b>ASSETS</b>	<b>EMPLOYEE INSURANCE FUND</b>	<b>SICK PAY BENEFIT FUND</b>	<b>AGENCY FUNDS</b>
Cash and cash equivalents	\$ 40,617	\$ 51,761	\$ 32,074
Accounts receivable	-	-	366
Total assets	<u>40,617</u>	<u>51,761</u>	<u>\$ 32,440</u>
 <b>LIABILITIES</b>			
Accounts payable	-	-	\$ 2
Accrued leave time	-	19,715	-
Due to other funds	627	-	19,438
Advances from other funds	-	-	13,000
Total liabilities	<u>627</u>	<u>19,715</u>	<u>\$ 32,440</u>
 <b>NET ASSETS</b>			
Held in trust for employee benefits	<u>\$ 39,990</u>	<u>\$ 32,046</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, 2008**

	<b>EMPLOYEE INSURANCE FUND</b>	<b>SICK PAY BENEFIT FUND</b>
<b>ADDITIONS</b>		
Employer contributions	\$ 9,772	\$ -
Interest income	1,114	1,916
Total additions	10,886	1,916
<b>DEDUCTIONS</b>		
Benefits	9,827	1,722
<b>Change in net assets</b>	1,059	194
<b>Net assets - beginning of year</b>	38,931	31,852
<b>Net assets - end of year</b>	\$ 39,990	\$ 32,046

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

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**VILLAGE OF MANCHESTER**  
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008

	<u>PAGE 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	30
NOTE 10 - RISK MANAGEMENT	31
NOTE 11 - JOINT VENTURE	32

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. DESCRIPTION OF VILLAGE OPERATIONS -**

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

**B. REPORTING ENTITY -**

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

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

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

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

**C. GOVERNMENT-WIDE FINANCIAL STATEMENTS -**

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

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

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

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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, 2008**

**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.

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, 2008**

**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, 2008.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue in the General Fund, and Fuel Tax revenues in the Major and Local Street Funds.
- 3) Special Assessment Receivables – This account is for special assessment district for water and sewer expansion to the current distribution and collection system.

**G. INVENTORIES -**

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

**H. PREPAID EXPENSES -**

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

**I. CAPITAL ASSETS -**

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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. Accumulated at June 30, 2008, the liability included \$24,571 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, 2008**

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

**BUDGET VIOLATIONS -**

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

<u>FUND/DEPARTMENT</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>(EXCESS BUDGET VARIANCE)</u>
<b>LOCAL STREET FUND</b>			
Street maintenance	\$ 53,500	\$ 54,407	\$ (907)
Bridge maintenance	-	144	(144)
Total	<u>\$ 53,500</u>	<u>\$ 54,551</u>	<u>\$ (1,051)</u>

**NOTE 3 - PROPERTY TAXES:**

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

The Village's operating tax rate is currently 14.5949 mills and is distributed as follows:

General Operation	8.5664
Water Systems	0.5013
Highways and Streets	1.6451
Parks and Recreation	0.6722
Debt Service	<u>3.2099</u>
	<u>14.5949</u>

The taxable value of real and personal property located in the Village was \$77,161,150.

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 - CASH AND INVESTMENTS:**

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

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

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

	Carrying Amount	Bank Balance
Cash on hand	\$ 225	\$ -
Insured (FDIC)	558,173	558,173
Uninsured and uncollateralized	2,556,627	2,893,388
	\$ 3,115,025	\$ 3,451,561
Reported in financial statements:		
Governmental funds	\$ 1,168,734	
Proprietary funds (Business-type)	1,821,839	
Fiduciary funds	124,452	
	\$ 3,115,025	
Component Unit: DDA		
Insured	\$ -	\$ -
Uninsured and uncollateralized	15,217	15,217
	\$ 15,217	\$ 15,217

The Village investments consist of a certificate 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, 2008, the Village had the following investments:

Investment Type	Maturity	Market Value	Rating
Certificate of Deposit - Uninsured	3/4/09	\$ 316,233	S&P-AAA

**Disclosures Relating to Interest Rate Risk**

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

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 - CASH AND INVESTMENTS: (Continued)**

**Concentration of Credit Risk**

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

**Custodial Credit Risk**

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

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

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:**

The amount of interfund receivables and payables at June 30, 2008, are as follows:

RECEIVABLES		PAYABLES	
General	\$ -	Major Street	\$ 20
	-	Local Street	19
	-	Parks & Recreation	2
	-	Employee Insurance	814
	-	Sewer	399
	-	Water	32
	-	Trust & Agency	7,534
	-	Tax	170
	8,990		8,990
	-	General	360
	-	Sewer	99,492
	-	Water	20,801
Major Street	120,653		120,653
Local Street	311	General	311
Parks & Recreation	46	General	46
Subtotal	130,000	Subtotal	130,000

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (Continued)**

RECEIVABLES		PAYABLES	
Carryover	\$ 130,000	Carryover	\$ 130,000
Water	-	General	564
	-	Sewer	3,441
	-	Tax	11,732
	15,737		15,737
Sewer	649	General	649
Equipment	-	General Fund	3,287
	-	Major Street	1,379
	-	Local Street	1,941
	-	Parks	500
	-	Sewer	1,253
	-	Water	2,444
	10,804		10,804
Total	\$ 157,190	Total	\$ 157,190

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 6 – CAPITAL ASSETS:**

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

	<u>07/01/07</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/08</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 79,901	\$ -	\$ -	\$ 79,901
Construction in progress	111,545	-	111,545	-
Subtotal	<u>191,446</u>	<u>-</u>	<u>111,545</u>	<u>79,901</u>
Capital assets being depreciated				
Land improvements	179,254	-	-	179,254
Buildings and improvements	2,208,984	-	-	2,208,984
Equipment, furniture and fixtures	825,916	74,269	-	900,185
Infrastructure - roads	2,858,005	1,133,603	-	3,991,608
Subtotal	<u>6,072,159</u>	<u>1,207,872</u>	<u>-</u>	<u>7,280,031</u>
Less accumulated depreciation for				
Land improvements	97,397	8,525	-	105,922
Buildings and improvements	387,694	63,323	-	451,017
Equipment, furniture and fixtures	553,112	45,101	-	598,213
Infrastructure - roads	1,118,494	171,240	-	1,289,734
Subtotal	<u>2,156,697</u>	<u>288,189</u>	<u>-</u>	<u>2,444,886</u>
Net capital assets being depreciated	<u>3,915,462</u>	<u>919,683</u>	<u>-</u>	<u>4,835,145</u>
Capital assets - net of depreciation	<u>\$ 4,106,908</u>	<u>\$ 919,683</u>	<u>\$ 111,545</u>	<u>\$ 4,915,046</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 6 – CAPITAL ASSETS: (Continued)**

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

	<u>07/01/07</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/08</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Capital assets being depreciated				
Buildings and improvements	19,200	-	-	19,200
Equipment, furniture and fixtures	333,416	44,589	-	378,005
Distribution and collection system	7,714,363	212,476	-	7,926,839
Subtotal	<u>8,066,979</u>	<u>257,065</u>	<u>-</u>	<u>8,324,044</u>
Less accumulated depreciation for				
Buildings and improvements	4,214	781	-	4,995
Equipment, furniture and fixtures	119,199	28,707	-	147,906
Distribution and collection system	3,539,509	235,523	-	3,775,032
Subtotal	<u>3,662,922</u>	<u>265,011</u>	<u>-</u>	<u>3,927,933</u>
Net capital assets being depreciated	<u>4,404,057</u>	<u>(7,946)</u>	<u>-</u>	<u>4,396,111</u>
Capital assets - net of depreciation	<u>\$ 4,434,062</u>	<u>\$ (7,946)</u>	<u>\$ -</u>	<u>\$ 4,426,116</u>

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

<b>GOVERNMENTAL ACTIVITIES</b>	<u>\$ 288,189</u>
<b>BUSINESS TYPE ACTIVITIES</b>	
Water	\$ 64,071
Sewer	<u>200,940</u>
Total business type activities	<u>\$ 265,011</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 7 – EMPLOYEES' PENSION PLAN:**

The Village contributes to a contributory money purchase retirement plan, administered by CPI Qualified Plan Consultants, Inc., which covers all full time, salaried and clerical employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by the Village vest immediately. The Village is required to contribute 6% of the employees gross earnings, and the employee is required to contribute a minimum of 6% to a 457 salary reduction plan.

During the year ending June 30, 2008, the Village's required contributions amounted to \$25,218 which was 6.00% of its current year covered payroll.

Total payroll for the fiscal year ending June 30, 2008, was \$469,492 and total payroll subject to retirement benefits was \$429,450.

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 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 of their salary until future years. Full time employees are required to contribute 6% of their salary to the plan in order to receive the 6% matching contribution to the contributory money purchase plan.

**NOTE 8 – OTHER POST RETIREMENT BENEFITS:**

The Village provides post-employment health care benefits to eligible retirees. The benefits are provided in accordance with a Village resolution. For the year ended June 30, 2008, expenditures for health care are recognized as the insurance premiums become due.

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

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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 07/01/07</u>	<u>ADDITIONS OF NEW DEBT</u>	<u>RETIREMENTS AND REPAYMENTS</u>	<u>DEBT OUT- STANDING 06/30/08</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
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%	\$ 985,000	\$ -	\$ (50,000)	\$ 935,000
<b><u>BUSINESS TYPE ACTIVITIES</u></b>				
1991 General Obligation Bonds, \$955,000 maturing serially in annual amounts ranging from \$40,000 to \$60,000 at an interest rate of 2.00%.	\$ 274,282	\$ -	\$ (50,000)	\$ 224,282
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%.	785,000	-	(50,000)	735,000
1993 Limited Tax General Obligation Series-B Refunding Bonds, \$765,000 maturing serially in annual amounts ranging from \$5,000 to \$50,000 at an interest rate ranging from 3.30% to 6.05%.	395,000	-	(395,000)	-
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%	410,000	-	(30,000)	380,000
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%.	300,000	-	(75,000)	225,000
Total business type activities	<u>\$ 2,164,282</u>	<u>\$ -</u>	<u>\$ (600,000)</u>	<u>\$ 1,564,282</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2009	\$ 55,000	\$ 52,150
2010	60,000	49,125
2011	60,000	45,825
2012	65,000	42,525
2013	70,000	38,950
Thereafter	<u>625,000</u>	<u>148,525</u>
	<u>\$ 935,000</u>	<u>\$ 377,100</u>

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

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2009	\$ 210,000	\$ 62,237
2010	210,000	55,761
2011	215,000	49,010
2012	204,282	74,605
2013	135,000	60,329
Thereafter	<u>590,000</u>	<u>117,719</u>
	<u>\$ 1,564,282</u>	<u>\$ 419,661</u>

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

**NOTE 10 - RISK MANAGEMENT:**

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

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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, 2008

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE (NEGATIVE)</b>
<b>REVENUES:</b>				
Taxes - Property taxes	\$ 741,400	\$ 741,400	\$ 742,325	\$ 925
Franchise fees	21,000	22,300	22,270	(30)
Licenses and permits	2,500	1,000	2,100	1,100
Fees and fines	9,800	11,500	11,768	268
Intergovernmental				
Sales tax	201,000	199,000	199,112	112
State liquor control	1,700	1,700	1,554	(146)
State Metro Act	-	6,900	6,986	86
Total	202,700	207,600	207,652	52
Charges for services				
Reimbursed services	800	10,300	11,558	1,258
Garbage pickup	64,550	64,550	68,666	4,116
Total	65,350	74,850	80,224	5,374
Rental income	86,381	85,381	85,150	(231)
Interest income	18,000	32,300	34,050	1,750
Other revenues	12,000	4,000	4,688	688
<b>Total Revenues</b>	<b>\$ 1,159,131</b>	<b>\$ 1,180,331</b>	<b>\$ 1,190,227</b>	<b>\$ 9,896</b>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES:</b>				
LEGISLATIVE:				
VILLAGE COUNCIL:				
Salaries and wages	\$ -	\$ -	\$ 41,712	\$ -
Payroll taxes	-	-	3,648	-
Employee benefits	-	-	10,800	-
Memberships	-	-	2,219	-
Purchased services - other	-	-	1,600	-
Printing	-	-	1,433	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
Chamber of Commerce	-	-	500	-
Community promotion	-	-	77	-
Total legislative	<u>64,100</u>	<u>65,100</u>	<u>64,989</u>	<u>111</u>
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Salaries and wages	-	-	83,161	-
Payroll taxes	-	-	6,528	-
Employee benefits	-	-	23,370	-
Operating supplies	-	-	4,590	-
Election	-	-	1,211	-
Postage	-	-	3,761	-
Telephone	-	-	2,937	-
Memberships	-	-	288	-
Training, education and seminars	-	-	200	-
Purchased services - legal	-	-	2,025	-
Purchased services - audit	-	-	4,540	-
Purchased services - other	-	-	773	-
Garbage services	-	-	60,290	-
Printing	-	-	210	-
Insurance	-	-	26,338	-
Travel	-	-	1,351	-
Repairs and maintenance	-	-	1,649	-
Tax refunds	-	-	138	-
Downtown Development Authority	-	-	4,205	-
Total	<u>232,400</u>	<u>240,400</u>	<u>227,565</u>	<u>12,835</u>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE (NEGATIVE)</b>
<b>EXPENDITURES: (Continued)</b>				
<b>BUILDING AND GROUNDS:</b>				
Salaries and wages	-	-	8,093	-
Payroll taxes	-	-	629	-
Employee benefits	-	-	1,576	-
Operating supplies	-	-	4,969	-
Public utilities	-	-	47,829	-
Insurance	-	-	21,286	-
Repairs and maintenance	-	-	14,581	-
Purchased services - cleaning	-	-	22,190	-
Purchased services - other	-	-	1,770	-
Allocation of equipment costs	-	-	13,927	-
<b>Total</b>	<b>155,436</b>	<b>149,686</b>	<b>136,850</b>	<b>12,836</b>
<b>Total general government</b>	<b>387,836</b>	<b>390,086</b>	<b>364,415</b>	<b>25,671</b>
<b>PUBLIC WORKS:</b>				
<b>DEPARTMENT OF PUBLIC WORKS:</b>				
Training, education and seminars	-	-	19	-
Operating supplies	-	-	2,219	-
Uniforms	-	-	2,930	-
Purchased services - other	-	-	700	-
Telephone	-	-	2,204	-
Memberships	-	-	129	-
<b>Total</b>	<b>11,550</b>	<b>9,850</b>	<b>8,201</b>	<b>1,649</b>
<b>TREE REMOVAL AND REPLACEMENT:</b>				
Salaries and wages	-	-	797	-
Payroll taxes	-	-	60	-
Employee benefits	-	-	221	-
Operating supplies	-	-	291	-
Purchased services - other	-	-	3,905	-
Allocation of equipment costs	-	-	1,905	-
<b>Total</b>	<b>18,000</b>	<b>13,000</b>	<b>7,179</b>	<b>5,821</b>
<b>SIDEWALK CONSTRUCTION:</b>				
Salaries and wages	-	-	550	-
Payroll taxes	-	-	40	-
Employee benefits	-	-	234	-
Operating supplies	-	-	177	-
Purchased services - other	-	-	440	-
Allocation of equipment costs	-	-	566	-
<b>Total</b>	<b>31,100</b>	<b>4,700</b>	<b>2,007</b>	<b>2,693</b>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES: (Continued)</b>				
<b>LIGHTING:</b>				
Street lighting	46,100	48,600	47,907	693
<b>RECYCLING:</b>				
Salaries and wages	-	-	11,485	-
Payroll taxes	-	-	872	-
Employee benefits	-	-	2,565	-
Printing	-	-	15	-
Allocation of equipment costs	-	-	20,490	-
Total	<u>36,200</u>	<u>43,000</u>	<u>35,427</u>	<u>7,573</u>
Total public works	<u>142,950</u>	<u>119,150</u>	<u>100,721</u>	<u>18,429</u>
<b>PUBLIC SAFETY:</b>				
<b>POLICE ADMINISTRATION:</b>				
Purchased services - Police	-	-	425,576	-
Purchased services - Legal	-	-	3,615	-
Operating supplies	-	-	567	-
Total	<u>429,000</u>	<u>442,000</u>	<u>429,758</u>	<u>12,242</u>
<b>PLANNING COMMISSION:</b>				
Salaries and wages	-	-	2,642	-
Payroll taxes	-	-	255	-
Employee benefits	-	-	95	-
Purchased services - planning	-	-	16,360	-
Printing	-	-	394	-
Training, education and seminars	-	-	530	-
Memberships	-	-	625	-
Total	<u>14,200</u>	<u>23,950</u>	<u>20,901</u>	<u>3,049</u>
Total public safety	<u>443,200</u>	<u>465,950</u>	<u>450,659</u>	<u>15,291</u>
<b>DEBT SERVICE:</b>				
<b>MUNICIPAL BOND EXPENDITURES:</b>				
Bond principal payments	-	-	50,000	-
Interest	-	-	54,442	-
Purchased services - other	-	-	500	-
Tax refunds	-	-	21	-
Total debt service	<u>105,400</u>	<u>105,400</u>	<u>104,963</u>	<u>437</u>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES:</b> (Continued)				
CAPITAL OUTLAY:				
Building and grounds	21,464	21,464	21,464	-
<b>Total expenditures</b>	<u>1,164,950</u>	<u>1,167,150</u>	<u>1,107,211</u>	<u>59,939</u>
<b>Net change in fund balances</b>	(5,819)	13,181	83,016	69,835
<b>Fund balance, beginning of year</b>	<u>667,730</u>	<u>667,730</u>	<u>667,730</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 661,911</u>	<u>\$ 680,911</u>	<u>\$ 750,746</u>	<u>\$ 69,835</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, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Motor Vehicle Highway Fund payments	\$ 108,000	\$ 108,000	\$ 105,578	\$ (2,422)
Charges for services	2,000	2,000	2,893	893
Capital grants and contributions	796,000	673,000	682,639	9,639
Other income	-	-	11,962	11,962
Interest income	-	3,000	3,018	18
Total revenues	<u>906,000</u>	<u>786,000</u>	<u>806,090</u>	<u>20,090</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>ADMINISTRATION:</b>				
Salaries and wages	-	-	19,942	-
Payroll taxes	-	-	1,577	-
Employee benefits	-	-	5,848	-
Repairs and maintenance	-	-	494	-
Insurance	-	-	4,660	-
Purchased services - audit	-	-	680	-
Total General Government	<u>33,050</u>	<u>34,350</u>	<u>33,201</u>	<u>1,149</u>
<b>PUBLIC WORKS:</b>				
<b>STREET CONSTRUCTION:</b>				
Operating supplies	-	-	2,659	-
Allocation of equipment costs	-	-	12	-
Purchased services - engineering	-	-	120,343	-
Construction projects	-	-	901,715	-
Total	<u>1,257,000</u>	<u>1,086,400</u>	<u>1,024,729</u>	<u>61,671</u>
<b>STREET MAINTENANCE:</b>				
Salaries and wages	-	-	21,658	-
Payroll taxes	-	-	1,713	-
Employee benefits	-	-	7,615	-
Operating supplies	-	-	1,799	-
Purchased services - other	-	-	974	-
Allocation of equipment costs	-	-	19,555	-
Repairs and maintenance	-	-	475	-
Total	<u>46,900</u>	<u>55,450</u>	<u>53,789</u>	<u>1,661</u>
<b>BRIDGE MAINTENANCE:</b>				
Payroll taxes	-	-	3	-
Employee benefits	-	-	7	-
Allocation of equipment costs	-	-	25	-
Total	<u>200</u>	<u>200</u>	<u>35</u>	<u>165</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, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES (Continued):</b>				
<b>PUBLIC WORKS: (Continued)</b>				
<b>WINTER MAINTENANCE:</b>				
Salaries and wages	-	-	5,832	-
Payroll taxes	-	-	442	-
Employee benefits	-	-	2,055	-
Operating supplies	-	-	8,315	-
Purchased services - other	-	-	939	-
Allocation of equipment costs	-	-	15,227	-
Total	<u>15,850</u>	<u>33,100</u>	<u>32,810</u>	<u>290</u>
<b>TRAFFIC SERVICES:</b>				
Salaries and wages	-	-	2,394	-
Payroll taxes	-	-	181	-
Employee benefits	-	-	655	-
Operating supplies	-	-	347	-
Purchased services - other	-	-	100	-
Allocation of equipment costs	-	-	1,398	-
Total	<u>5,500</u>	<u>6,600</u>	<u>5,075</u>	<u>1,525</u>
Total public works	<u>1,325,450</u>	<u>1,181,750</u>	<u>1,116,438</u>	<u>65,312</u>
Total expenditures	<u>1,358,500</u>	<u>1,216,100</u>	<u>1,149,639</u>	<u>66,461</u>
Excess of revenues over expenditures before other financing sources (uses)	(452,500)	(430,100)	(343,549)	86,551
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in	<u>252,500</u>	<u>230,100</u>	<u>271,500</u>	<u>41,400</u>
<b>NET CHANGE IN FUND BALANCE</b>	(200,000)	(200,000)	(72,049)	127,951
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>217,143</u>	<u>217,143</u>	<u>217,143</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 17,143</u>	<u>\$ 17,143</u>	<u>\$ 145,094</u>	<u>\$ 127,951</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, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Motor Vehicle Highway Fund payments	\$ 44,000	\$ 44,000	\$ 42,246	\$ (1,754)
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>ADMINISTRATION:</b>				
Salaries and wages	-	-	13,287	-
Payroll taxes	-	-	1,071	-
Employee benefits	-	-	4,646	-
Purchased services - audit	-	-	340	-
Insurance	-	-	6,606	-
Repairs and maintenance	-	-	493	-
Total General Government	<u>26,050</u>	<u>27,050</u>	<u>26,443</u>	<u>607</u>
<b>PUBLIC WORKS:</b>				
<b>STREET CONSTRUCTION:</b>				
Purchased services - other	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>STREET MAINTENANCE:</b>				
Salaries and wages	-	-	21,019	-
Payroll taxes	-	-	1,694	-
Employee benefits	-	-	7,506	-
Operating supplies	-	-	2,066	-
Purchased services - other	-	-	281	-
Repairs and maintenance	-	-	387	-
Allocation of equipment costs	-	-	21,454	-
Total	<u>51,750</u>	<u>53,500</u>	<u>54,407</u>	<u>(907)</u>
<b>WINTER MAINTENANCE:</b>				
Salaries and wages	-	-	3,802	-
Payroll taxes	-	-	288	-
Employee benefits	-	-	1,443	-
Operating supplies	-	-	8,345	-
Purchased services - other	-	-	643	-
Allocation of equipment costs	-	-	10,826	-
Total	<u>14,150</u>	<u>25,700</u>	<u>25,347</u>	<u>353</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, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES:</b> (Continued)				
PUBLIC WORKS: (Continued)				
BRIDGE MAINTENANCE:				
Salaries and wages	-	-	35	-
Payroll taxes	-	-	3	-
Employee benefits	-	-	7	-
Allocation of equipment costs	-	-	99	-
Total	-	-	144	(144)
TRAFFIC SERVICES:				
Salaries and wages	-	-	1,298	-
Payroll taxes	-	-	99	-
Employee benefits	-	-	389	-
Operating supplies	-	-	277	-
Purchased services - other	-	-	100	-
Allocation of equipment costs	-	-	1,215	-
Total	7,500	5,800	3,378	2,422
Total public works	93,400	85,000	83,276	1,724
Total expenditures	119,450	112,050	109,719	2,331
Excess of revenues over expenditures before other financing sources (uses)	(75,450)	(68,050)	(67,473)	577
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in	75,450	68,050	63,500	(4,550)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(3,973)	(3,973)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	23,960	23,960	23,960	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 23,960</u>	<u>\$ 23,960</u>	<u>\$ 19,987</u>	<u>\$ (3,973)</u>

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

**VILLAGE OF MANCHESTER**  
ADDITIONAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**VILLAGE OF MANCHESTER**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>MUNICIPAL STREET</b>	<b>PARKS AND RECREATION</b>	<b>PUBLIC IMPROVE- MENT</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 117,886	\$ 81,526	\$ 338,230	\$ 537,642
Accounts receivable - taxes	148	60	-	208
Due from other funds	-	46	-	46
Advances to other funds	-	-	10,000	10,000
	<u>\$ 118,034</u>	<u>\$ 81,632</u>	<u>\$ 348,230</u>	<u>\$ 547,896</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 401	\$ -	\$ 401
Accrued payroll	-	175	-	175
Due to other funds	-	502	-	502
Total liabilities	<u>-</u>	<u>1,078</u>	<u>-</u>	<u>1,078</u>
 <b>FUND BALANCE:</b>				
Reserved:				
Capital outlay	-	1,633	-	1,633
Unreserved	118,034	78,921	348,230	545,185
Total fund balance	<u>118,034</u>	<u>80,554</u>	<u>348,230</u>	<u>546,818</u>
 Total liabilities and fund balance	<u>\$ 118,034</u>	<u>\$ 81,632</u>	<u>\$ 348,230</u>	<u>\$ 547,896</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, 2008**

	<b>SPECIAL REVENUE FUNDS</b>			<b>TOTAL</b>
	<b>MUNICIPAL STREET</b>	<b>PARKS AND RECREATION</b>	<b>PUBLIC IMPROVE- MENT</b>	
<b>REVENUES:</b>				
Taxes and penalties	\$ 123,776	\$ 50,576	\$ -	\$ 174,352
Interest income	11,129	3,418	12,671	27,218
Contributions	-	23,423	-	23,423
Other revenue	-	260	-	260
Total revenues	<u>134,905</u>	<u>77,677</u>	<u>12,671</u>	<u>225,253</u>
<b>EXPENDITURES:</b>				
Salaries and wages	-	12,546	-	12,546
Payroll taxes	-	989	-	989
Employee benefits	-	1,960	-	1,960
Operating supplies	-	2,329	-	2,329
Purchased services - other	-	4,220	-	4,220
Purchased services - audit	-	113	-	113
Repairs and maintenance	-	687	-	687
Public utilities	-	1,241	-	1,241
Insurance	-	3,597	-	3,597
Allocation of equipment costs	-	6,000	-	6,000
Miscellaneous	27	11	-	38
Capital outlay	-	52,805	-	52,805
Total expenditures	<u>27</u>	<u>86,498</u>	<u>-</u>	<u>86,525</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>134,878</u>	<u>(8,821)</u>	<u>12,671</u>	<u>138,728</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(335,000)	-	-	(335,000)
Total other financing sources (uses)	<u>(335,000)</u>	<u>-</u>	<u>-</u>	<u>(335,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(200,122)</u>	<u>(8,821)</u>	<u>12,671</u>	<u>(196,272)</u>
<b>FUND BALANCE -</b>				
Beginning of year	<u>318,156</u>	<u>89,375</u>	<u>335,559</u>	<u>743,090</u>
<b>FUND BALANCE -</b>				
End of year	<u>\$ 118,034</u>	<u>\$ 80,554</u>	<u>\$ 348,230</u>	<u>\$ 546,818</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, 2008

VILLAGE OF MANCHESTER  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2008

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/08	06/30/09	
<b>BUSINESS TYPE ACTIVITIES</b>								
<b>UNLIMITED TAX GENERAL OBLIGATION BONDS -</b>								
Series - A Refunding Bonds	08/30/93	\$ 1,750,000	5.80%	03/01/09	\$ 50,000	\$ 50,000	\$ -	\$ 44,113
			5.90%	03/01/10	50,000	50,000	50,000	41,212
			5.90%	03/01/11	55,000	55,000	55,000	38,263
			5.95%	3/1/12 thru 13	55,000	110,000	110,000	66,762
			6.00%	3/1/14 thru 15	50,000	100,000	100,000	53,954
			6.05%	3/1/16 thru 18	50,000	150,000	150,000	58,342
			6.10%	3/1/19 thru 22	45,000	180,000	180,000	37,187
			6.10%	03/01/23	40,000	40,000	40,000	2,440
<b>Total Unlimited Tax General Obligation Bonds</b>						<b>\$ 735,000</b>	<b>\$ 685,000</b>	<b>\$ 342,273</b>
<b>MICHIGAN MUNICIPAL BOND AUTHORITY:</b>								
Michigan Drinking Water Revolving Fund	09/29/98	\$ 620,000	2.50%	04/01/09	\$ 30,000	\$ 30,000	\$ -	\$ 9,500
			2.50%	04/01/10	30,000	30,000	30,000	8,750
			2.50%	04/01/11	30,000	30,000	30,000	8,000
			2.50%	04/01/12	35,000	35,000	35,000	7,250
			2.50%	04/01/13	35,000	35,000	35,000	6,375
			2.50%	04/01/14	35,000	35,000	35,000	5,500
			2.50%	04/01/15	35,000	35,000	35,000	4,625
			2.50%	04/01/16	35,000	35,000	35,000	3,750
			2.50%	04/01/17	35,000	35,000	35,000	2,875
			2.50%	04/01/18	40,000	40,000	40,000	2,000
			2.50%	04/01/19	40,000	40,000	40,000	1,000
<b>Total Michigan Drinking Water Revolving Fund Program</b>						<b>\$ 380,000</b>	<b>\$ 350,000</b>	<b>\$ 59,625</b>
<b>General Obligation Bonds:</b>								
Series 1991	03/28/91	\$ 955,000	2.00%	10/01/08	\$ 55,000	\$ 55,000	\$ -	\$ 3,936
			2.00%	10/01/09	55,000	55,000	55,000	2,836
			2.00%	10/01/10	55,000	55,000	55,000	1,736
			2.00%	10/01/11	59,282	59,282	59,282	593
<b>Total General Obligation Bonds</b>						<b>\$ 224,282</b>	<b>\$ 169,282</b>	<b>\$ 9,101</b>
<b>Special Assessment Bonds:</b>								
Series 2004	03/15/04	\$ 490,000	2.10%	10/01/08	\$ 75,000	\$ 75,000	\$ -	\$ 4,688
			2.50%	10/01/09	75,000	75,000	75,000	2,963
			2.70%	10/01/10	75,000	75,000	75,000	1,011
<b>Total Special Assessment Bonds</b>						<b>\$ 225,000</b>	<b>\$ 150,000</b>	<b>\$ 8,662</b>
<b>Total Water and Sewer Enterprise Funds</b>						<b>\$ 1,564,282</b>	<b>\$ 1,354,282</b>	<b>\$ 419,661</b>

VILLAGE OF MANCHESTER  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2008

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/08	06/30/09	
<b>General Obligation Bonds: Series 2000</b>	06/29/00	\$ 1,250,000	5.50%	05/01/09	\$ 55,000	\$ 55,000	\$ -	\$ 52,150
			5.50%	05/01/10	60,000	60,000	60,000	49,125
			5.50%	05/01/11	60,000	60,000	60,000	45,825
			5.50%	05/01/12	65,000	65,000	65,000	42,525
			5.50%	05/01/13	70,000	70,000	70,000	38,950
			5.50%	05/01/14	75,000	75,000	75,000	35,100
			5.50%	05/01/15	80,000	80,000	80,000	30,975
			5.55%	05/01/16	85,000	85,000	85,000	26,575
			5.60%	05/01/17	90,000	90,000	90,000	21,858
			5.65%	05/01/18	95,000	95,000	95,000	16,817
			5.70%	05/01/19	100,000	100,000	100,000	11,450
			5.75%	05/01/20	100,000	100,000	100,000	5,750
<b>Total General Government Activity</b>						<u>\$ 935,000</u>	<u>\$ 880,000</u>	<u>\$ 377,100</u>

# MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD

JACKSON, MICHIGAN 49203

PHONE (517) 782-9351

FAX (517) 782-0599

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

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

Village Council  
Village of Manchester  
Washtenaw County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Village of Manchester** as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Manchester's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

## **2008-01 - Segregation of Duties:**

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

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

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

*Markowski & Company, CPAs*  
**MARKOWSKI & COMPANY CPAs**  
October 3, 2008

**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 Village of Manchester as of and for the year ended June 30, 2008, and have issued our report thereon dated October 3, 2008. 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 August 27, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud, may exist and not be detected by us.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Manchester are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Manchester during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

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 was 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.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Manchester that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We noted audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Village of Manchester's reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

### **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.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as 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.

### **Difficulties Encountered in Performing the Audit**

The staff at the Village was extremely helpful and cooperative during our audit. We did not encounter any difficulties in completing our audit.

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

Very truly yours,

*Markowski & Company, CPAs*  
MARKOWSKI & COMPANY CPAs  
October 3, 2008

**VILLAGE OF MANCHESTER**  
**MEMORANDUM OF COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Budgeting Procedures**

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

**GASB 45 Other Postemployment Benefits Implementation**

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