

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Manchester	County Washtenaw
Fiscal Year End 6/30/07	Opinion Date 12/7/07	Date Audit Report Submitted to State 12/15/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

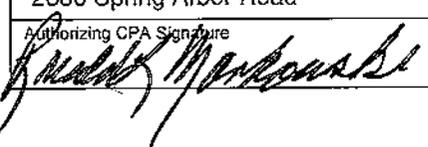
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES** **NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and 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, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Markowski & Company, CPAs		Telephone Number 517-782-9351	
Street Address 2880 Spring Arbor Road		City Jackson	State MI
		Zip 49068	
Authorizing CPA Signature 		Printed Name Ronald L. Markowski	
		License Number 1101006941	

VILLAGE OF MANCHESTER  
WASHTENAW COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDING JUNE 30, 2007

VILLAGE OF MANCHESTER  
FINANCIAL STATEMENTS  
JUNE 30, 2007

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CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of Manchester  
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, major funds, 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, 2007, 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, major funds, and remaining fund information of the Village of Manchester at June 30, 2007, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basis financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Yours truly,



MARKOWSKI & COMPANY, CPAs  
December 7, 2007

## 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, 2007. 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 \$9,667,039. Of this amount, \$3,820,655 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$5,391,688 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 \$312,895 in 2007. Governmental activities net assets increased \$221,266 and Business-Type activities increased \$91,629 respectively.

In a condensed format, the following table shows net assets as of June 30, 2007:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 1,975,078	\$ 2,651,285	\$ 2,401,717	\$ 2,205,037	\$ 4,376,795	\$ 4,856,322
Noncurrent Assets	4,106,908	3,701,241	4,580,376	4,952,115	8,687,284	8,653,356
<b>Total Assets</b>	<b>6,081,986</b>	<b>6,352,526</b>	<b>6,982,093</b>	<b>7,157,152</b>	<b>13,064,079</b>	<b>13,509,678</b>
Current Liabilities	216,672	658,478	331,086	347,774	547,758	1,006,252
Long-Term Debt	935,000	985,000	1,914,282	2,164,282	2,849,282	3,149,282
<b>Total Liabilities</b>	<b>1,151,672</b>	<b>1,643,478</b>	<b>2,245,368</b>	<b>2,512,056</b>	<b>3,397,040</b>	<b>4,155,534</b>
<b>Net Assets</b>						
Invested in Capital Assets - Net of Related Debt	3,121,908	2,666,241	2,269,780	2,144,400	5,391,688	4,810,641
Restricted for Debt Service	111,705	107,650	317,394	396,241	429,099	503,891
Restricted for Capital Projects	25,597	13,310	-	-	25,597	13,310
Unrestricted	1,671,104	1,921,847	2,149,551	2,104,455	3,820,655	4,026,302
	<b>\$ 4,930,314</b>	<b>\$ 4,709,048</b>	<b>\$ 4,736,725</b>	<b>\$ 4,645,096</b>	<b>\$ 9,667,039</b>	<b>\$ 9,354,144</b>

## Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net assets as of June 30, 2007:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 212,131	\$ 177,554	\$ 596,833	\$ 517,427	\$ 808,964	\$ 694,981
Operating grants and Contributions	330,840	200,803	-	-	330,840	200,803
Capital grants and Contributions	200,075	262,787	250,380	253,990	450,455	516,777
General Revenues						
Property Taxes	651,345	606,081	-	-	651,345	606,081
State-Shared Revenues	207,507	213,898	-	-	207,507	213,898
Interest income	86,821	73,975	96,976	84,945	183,797	158,920
Franchise Fees	22,255	20,273	-	-	22,255	20,273
Other Income	21,715	20,114	8,124	9,274	29,839	29,388
<b>Total Revenues</b>	<b>1,732,689</b>	<b>1,575,485</b>	<b>952,313</b>	<b>865,636</b>	<b>2,685,002</b>	<b>2,441,121</b>
Program Expenses						
Legislative	81,330	93,452	-	-	81,330	93,452
General Government	382,806	368,511	-	-	382,806	368,511
Public Safety	421,805	389,519	-	-	421,805	389,519
Public Works	286,346	276,980	-	-	286,346	276,980
Recreational and Cultural	38,841	35,113	-	-	38,841	35,113
Interest on Long Term Debt	60,438	60,442	-	-	60,438	60,442
Depreciation	239,857	244,208	-	-	239,857	244,208
Water and Sewer	-	-	860,684	850,166	860,684	850,166
<b>Total Expenses</b>	<b>1,511,423</b>	<b>1,468,225</b>	<b>860,684</b>	<b>850,166</b>	<b>2,372,107</b>	<b>2,318,391</b>
<b>Change in Net Assets</b>	<b>\$ 221,266</b>	<b>\$ 107,260</b>	<b>\$ 91,629</b>	<b>\$ 15,470</b>	<b>\$ 312,895</b>	<b>\$ 122,730</b>

### Government Activities

The Village's total revenues increased by \$243,881. Charges for services increased by 16% as the Village received increased revenues from rent and other services on the Village Hall. (The Village leases parts of its facilities to the Manchester Public Library and other government agencies). Other charges for services also increased as the Village was able to recoup costs for services performed for outside parties.

Capital grants and contributions increased with the memorial donation of police and fire vehicle play equipment in Chi-Bro Park.

The Village administration and management has taken actions to reduce expenditures in order to balance its budget. A personnel policy change making employee contributions to medical insurance premiums mandatory was implemented. The Village does have room to increase its millage for tax revenues but has chosen not to do so. Property tax increases have remained flat, and state shared revenues continue to making it more difficult to continue to provide essential services as costs increase. Public Safety costs increased by 8% consuming a larger portion of the annual budget. Village administration began discussions with Washtenaw County and the Sheriff's Department to contain the cost of public safety and will continue exploring alternatives to provide the service at an affordable cost.

## Management's Discussion and Analysis

### **Business Type Activities**

The Village's business-type activities consist of its Water and Sewer funds. During 2007, net assets increased by \$91,629. Operating revenues increased as the Village continued implementation of the five-year plan increasing usage rates to maintain the overall health of the Water and Sewer system. The Village signed a contract with a neighboring township to run their waste water treatment plant. This will increase the revenues with little to no additional cost to the Village.

The Village was able to keep expenditures within 2% of prior year's amounts by continuing to find ways to maintain and expand the current system without increasing costs dramatically.

### **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 decreased by \$307,038 primarily due to capital outlays of \$410,120 for the State mandated addition of a new elevator to the current facilities and efficiency updates to the HVAC system at the Municipal Building. Total revenues increased by \$71,428, as tax revenues increased by 7% and the Village was able to increase its rental income. Expenditures increased by \$413,163 primarily from increased costs in capital outlays for the construction of a public elevator, planned HVAC improvements and public safety of \$32,286 as police services continue to increase.

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 \$91,629. Operating revenues increased by \$79,406 with the increase in usage rates and additional revenues of operating a neighboring Townships waste water treatment plant with existing staff.

Operating expenditures in these funds increased by \$19,544 due to increases in public utilities and other items such as repairs and maintenance to the existing system and operating supplies.

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 \$6,263 as a construction project on Hibbard Street has been started. The Local Street Fund's fund balance decreased by \$23,057 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 \$330,980 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 \$360,430 decrease in fund balance as changes were made as needed. Actual fund balance decreased by \$307,038 which was less of a decrease than budgeted by \$53,392.

Administration correctly anticipated increased tax revenues and decreases in state shared revenues while also receiving more rental income and investment income from increasing rates. 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. Many capital additions have been mentioned throughout this report. Emergency generators were installed to maintain water systems when power fails. Other capital upgrades to improve water quality included new pumping equipment at the main well and water filter media replacement. With a healthy cash balance in the equipment fund, the Village was able to continue to implement their capital improvement plan, adding a new jet-rodder and backhoe.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 161,758	\$ 30,005	\$ 191,763
Buildings and improvements	1,821,290	14,986	1,836,276
Equipment, furniture and fixtures	272,804	214,217	487,021
Infrastructure	1,851,056	-	1,851,056
Distribution and collection system	-	4,174,854	4,174,854
Total	<u>\$ 4,106,908</u>	<u>\$ 4,434,062</u>	<u>\$ 8,540,970</u>

At the end of the year the Village had total debt outstanding of \$3,149,282.

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

The Village of Manchester will face many fiscal challenges in the upcoming year. The economy in Michigan has been difficult in the past few years and continues to be so. The security of continued growth in property tax revenue, state shared revenue and services provided by other entities has eroded. To date, the Village has been in a sound position to carry out its plans and take advantage of several opportunities. The 2007/2008 budget maintains all services, but is more controlled in project type expenses.

Opportunities in a good bidding environment will allow the Village to reconstruct Hibbard Street and improve infrastructure using fund balance/net assets put aside for this purpose along with \$800,000 of federal funds being provided. With the creation of our Downtown Development Authority we will be putting together a plan based on a "conditional approval" from MDOT to provide for streetscape improvements to revigorate the central business district. The matching funds will be provided by the general fund with a payback agreement from future DDA revenues.

Investments in relationships and networking paid off in Martinrea Industries purchasing and reviving an empty industrial plant. New work is being done by Paradyne and Pierce Fasteners in previously unoccupied buildings. These new partners will help to keep water rates and tax revenues stable.

Improvements are planned that will add to the efficiency and effectiveness of operations. Remotely read water meters are budgeted. The recent "smoke testing" can help prevent sewer infiltrations and lower operation costs. The early pay off of the Series B Bond will help to keep sewer rates more stable.

The Village, along with many other areas of the County and State, will face some tough challenges in the next few years. Police staffing, additional industry and a busy downtown are the topics of continued discussion. The newly formed Manchester Community Joint Planning Commission face tough decisions as they shape a new area master plan.

The Village looks forward to better economics to replenish fund balances/net assets so that an aggressive infrastructure plan with park improvements, more curbed streets, and tree and sidewalk additions can be pursued. In the meantime, the Village is secure in its financial position and will continue to provide the services the residents have come to expect and rely on.

## 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**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
 JUNE 30, 2007

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 4)	\$ 1,411,079	\$ 1,994,406	\$ 3,405,485
Investments (Note 4)	302,403	-	302,403
Accounts receivable:			
Taxes	50,171	83,192	133,363
Customers	38,753	80,795	119,548
Other	15,081	12,472	27,553
Due from other governments	88,524	-	88,524
Internal balances	1,960	(1,960)	-
Prepaid expenses	67,107	5,872	72,979
Inventory	-	19,017	19,017
Notes receivable - current	-	207,923	207,923
Total current assets	<u>1,975,078</u>	<u>2,401,717</u>	<u>4,376,795</u>
<b>NONCURRENT ASSETS</b>			
Capital assets: (Note 6)			
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	825,916	333,416	1,159,332
Infrastructure - roads	2,969,550	-	2,969,550
Distribution and collection system	-	7,714,363	7,714,363
Less - Accumulated depreciation	(2,156,697)	(3,662,922)	(5,819,619)
Net property and equipment	4,106,908	4,434,062	8,540,970
Notes receivable	-	69,308	69,308
Deferred charges	-	77,006	77,006
Total noncurrent assets	<u>4,106,908</u>	<u>4,580,376</u>	<u>8,687,284</u>
Total assets	<u>6,081,986</u>	<u>6,982,093</u>	<u>13,064,079</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	115,263	45,673	160,936
Accrued interest payable	9,150	29,169	38,319
Accrued payroll	11,043	6,244	17,287
Accrued leave payable	25,716	-	25,716
Deposits	5,500	-	5,500
Bonds, notes, and loans payable (Note 9)	50,000	250,000	300,000
Total current liabilities	<u>216,672</u>	<u>331,086</u>	<u>547,758</u>
<b>NONCURRENT LIABILITIES</b>			
Bonds, notes, and loans payable (Note 9)	935,000	1,914,282	2,849,282
Total liabilities	<u>1,151,672</u>	<u>2,245,368</u>	<u>3,397,040</u>
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	3,121,908	2,269,780	5,391,688
Restricted for debt service	111,705	317,394	429,099
Restricted for capital projects	25,597	-	25,597
Unrestricted	1,671,104	2,149,551	3,820,655
Total net assets	<u>\$ 4,930,314</u>	<u>\$ 4,736,725</u>	<u>\$ 9,667,039</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, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
Legislative	\$ 81,330	\$ -	\$ -	\$ -
General government	382,806	154,328	-	107,918
Public safety	421,805	9,547	-	-
Public works	286,346	48,256	278,269	-
Recreational and cultural	38,841	-	52,571	92,157
Interest on long-term debt	60,438	-	-	-
Depreciation	239,857	-	-	-
<b>Total governmental activities</b>	<b>1,511,423</b>	<b>212,131</b>	<b>330,840</b>	<b>200,075</b>
Business-type activities				
Water and sewer	860,684	596,833	-	250,380
<b>Total government</b>	<b>\$ 2,372,107</b>	<b>\$ 808,964</b>	<b>\$ 330,840</b>	<b>\$ 450,455</b>

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

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

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

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

Governmental Activities	Business-Type Activities	Total
\$ (81,330)	\$ -	\$ (81,330)
(120,560)	-	(120,560)
(412,258)	-	(412,258)
40,179	-	40,179
105,887	-	105,887
(60,438)	-	(60,438)
(239,857)	-	(239,857)
(768,377)	-	(768,377)
-	(13,471)	(13,471)
(768,377)	(13,471)	(781,848)
651,345	-	651,345
207,507	-	207,507
86,821	96,976	183,797
22,255	-	22,255
21,715	8,124	29,839
989,643	105,100	1,094,743
221,266	91,629	312,895
4,709,048	4,645,096	9,354,144
<u>\$ 4,930,314</u>	<u>\$ 4,736,725</u>	<u>\$ 9,667,039</u>

**VILLAGE OF MANCHESTER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<b>GENERAL</b>	<b>MAJOR STREET</b>	<b>LOCAL STREET</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>					
Cash and cash equivalents (Note 4)	\$ 283,883	\$ 223,873	\$ 4,035	\$ 736,851	\$ 1,248,642
Investments (Note 4)	302,403	-	-	-	302,403
Accounts receivable:					
Taxes	40,321	-	-	9,850	50,171
Customers	25,118	-	13,183	-	38,301
Other	5,734	-	-	-	5,734
Prepaid expenses	45,508	3,670	6,606	2,936	58,720
Due from other funds (Note 5)	8,000	424	425	64	8,913
Due from other governments	63,960	17,625	6,940	-	88,525
Advances to other funds	5,000	-	-	-	5,000
<b>Total assets</b>	<b>\$ 779,927</b>	<b>\$ 245,592</b>	<b>\$ 31,189</b>	<b>\$ 749,701</b>	<b>\$ 1,806,409</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 79,690	\$ 24,212	\$ 4,829	\$ 4,987	\$ 113,718
Accrued interest payable	9,150	-	-	-	9,150
Accrued payroll	8,266	1,894	-	603	10,763
Due to other funds (Note 5)	9,591	2,343	2,400	1,021	15,355
Deposits	5,500	-	-	-	5,500
<b>Total liabilities</b>	<b>112,197</b>	<b>28,449</b>	<b>7,229</b>	<b>6,611</b>	<b>154,486</b>
<b>FUND BALANCES</b>					
Fund balances - Reserved:					
Debt service	111,705	-	-	-	111,705
Capital outlay	-	-	-	25,597	25,597
Prepaid expenses	45,508	3,670	6,606	2,936	58,720
Fund balances - Unreserved	510,517	213,473	17,354	714,557	1,455,901
<b>Total fund balances</b>	<b>667,730</b>	<b>217,143</b>	<b>23,960</b>	<b>743,090</b>	<b>1,651,923</b>
<b>Total liabilities and fund equity</b>	<b>\$ 779,927</b>	<b>\$ 245,592</b>	<b>\$ 31,189</b>	<b>\$ 749,701</b>	<b>\$ 1,806,409</b>

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, 2007**

Total fund balance - total governmental funds	\$ 1,651,923
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).	4,106,908
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.	182,199
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(985,000)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(25,716)</u>
Net assets of governmental activities	<u><u>\$ 4,930,314</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, 2007**

	<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	\$ 759,263	\$ -	\$ -	\$ 181,229	\$ 940,492
Franchise fee	22,255	-	-	-	22,255
Licenses and permits	6,750	-	-	-	6,750
Fees and fines	9,547	-	-	-	9,547
Intergovernmental - State	207,507	107,348	42,263	-	357,118
Charges for services	66,379	2,907	13,184	-	82,470
Rental income	83,737	-	-	-	83,737
Interest income	36,695	9,864	-	33,717	80,276
Other revenue	16,011	-	-	97,733	113,744
Total revenues	<u>1,208,144</u>	<u>120,119</u>	<u>55,447</u>	<u>312,679</u>	<u>1,696,389</u>
<b>EXPENDITURES:</b>					
Current:					
Legislative	81,330	-	-	-	81,330
General government	383,549	-	-	-	383,549
Public safety	421,805	-	-	-	421,805
Public works	107,941	161,382	95,504	3,243	368,070
Recreational & cultural	-	-	-	36,487	36,487
Capital outlay	410,120	-	-	79,870	489,990
Debt service	110,437	-	-	-	110,437
Total expenditures	<u>1,515,182</u>	<u>161,382</u>	<u>95,504</u>	<u>119,600</u>	<u>1,891,668</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(307,038)</u>	<u>(41,263)</u>	<u>(40,057)</u>	<u>193,079</u>	<u>(195,279)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	35,000	17,000	-	52,000
Operating transfers (out)	-	-	-	(52,000)	(52,000)
Total other financing sources (uses)	<u>-</u>	<u>35,000</u>	<u>17,000</u>	<u>(52,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(307,038)</u>	<u>(6,263)</u>	<u>(23,057)</u>	<u>141,079</u>	<u>(195,279)</u>
<b>FUND BALANCE - Beginning of year</b>	<u>974,768</u>	<u>223,406</u>	<u>47,017</u>	<u>602,011</u>	<u>1,847,202</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 667,730</u>	<u>\$ 217,143</u>	<u>\$ 23,960</u>	<u>\$ 743,090</u>	<u>\$ 1,651,923</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, 2007

Net change in fund balances - total governmental funds \$ (195,279)

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 is allocated over their estimated useful lives as  
depreciation expense. This is the amount of capital assets recorded in  
the current period. 553,410

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. (239,857)

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 are  
included in governmental activities. 58,232

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. (1,778)

Gain and loss on disposal of fixed assets is not recorded in the fund financial statements,  
however the gain or loss is reported in the government-wide financial statements. (3,462)

The payments of long term debt consumes the current financial resources of  
governmental funds. 50,000

Change in net assets of governmental activities \$ 221,266

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

**VILLAGE OF MANCHESTER**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

ASSETS	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Note 4)	\$ 620,648	\$ 1,373,758	\$ 1,994,406	\$ 162,437
Accounts receivable:				452
Taxes	67,679	15,513	83,192	-
Customers	25,436	55,359	80,795	-
Prepaid expenses	3,670	2,202	5,872	8,387
Due from other funds (Note 5)	16,743	2,128	18,871	12,748
Inventory	19,017	-	19,017	-
Special assessment receivable - current	195,572	12,351	207,923	-
Total current assets	<u>948,765</u>	<u>1,461,311</u>	<u>2,410,076</u>	<u>184,024</u>
<b>NONCURRENT ASSETS:</b>				
Capital assets: (Note 6)				
Land and land improvements	3,005	27,000	30,005	-
Buildings and improvements	9,800	9,400	19,200	-
Equipment, furniture and fixtures	185,436	147,980	333,416	636,017
Distribution and collection system	1,877,618	5,836,745	7,714,363	-
Less - Accumulated depreciation	(438,046)	(3,224,876)	(3,662,922)	(475,364)
Net property and equipment	<u>1,637,813</u>	<u>2,796,249</u>	<u>4,434,062</u>	<u>160,653</u>
Special assessment receivable	65,191	4,117	69,308	-
Deferred charges:				
Unamortized bond issuance costs	12,053	37,457	49,510	-
Deferred refunding loss	-	27,496	27,496	-
Total noncurrent assets	<u>1,715,057</u>	<u>2,865,319</u>	<u>4,580,376</u>	<u>160,653</u>
Total assets	<u>2,663,822</u>	<u>4,326,630</u>	<u>6,990,452</u>	<u>344,677</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	20,397	25,276	45,673	1,545
Accrued interest payable	4,306	24,863	29,169	-
Accrued payroll	2,400	3,844	6,244	280
Due to other funds (Note 5)	2,163	6,196	8,359	-
Bonds, notes, and loans payable (Note 9)	105,000	145,000	250,000	-
Total current liabilities	<u>134,266</u>	<u>205,179</u>	<u>339,445</u>	<u>1,825</u>
<b>NONCURRENT LIABILITIES:</b>				
Bonds, notes, and loans payable (Note 9)	605,000	1,309,282	1,914,282	-
Total liabilities	<u>739,266</u>	<u>1,514,461</u>	<u>2,253,727</u>	<u>1,825</u>
<b>NET ASSETS:</b>				
Invested in capital assets - net of related debt	927,813	1,341,967	2,269,780	160,653
Restricted for debt service	54,388	263,006	317,394	-
Unrestricted	942,355	1,207,196	2,149,551	182,199
Total net assets	<u>\$ 1,924,556</u>	<u>\$ 2,812,169</u>	<u>\$ 4,736,725</u>	<u>\$ 342,852</u>

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, 2007**

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 217,110	\$ 311,936	\$ 529,046	\$ 121,437
Charges for services - Bridgewater Township	-	41,437	41,437	-
Connection fees	6,050	20,300	26,350	-
Total operating revenues	<u>223,160</u>	<u>373,673</u>	<u>596,833</u>	<u>121,437</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	58,719	109,041	167,760	13,356
Payroll taxes	4,439	8,428	12,867	1,023
Employee benefits	21,828	40,426	62,254	4,708
Chemicals	5,950	11,062	17,012	-
Operating supplies	6,499	19,909	26,408	11,296
Gasoline and oil	947	764	1,711	12,644
Postage	1,364	1,332	2,696	-
Purchased services - other	13,504	26,391	39,895	1,564
Purchased services - engineering	-	2,247	2,247	-
Purchased services - legal	-	375	375	-
Purchased services - audit	1,874	2,562	4,436	428
Permits and fees	-	2,581	2,581	-
Telephone	869	2,208	3,077	-
Public utilities	17,114	33,523	50,637	-
Training, education and seminars	-	680	680	-
Memberships	540	-	540	-
Repairs and maintenance	9,078	41,792	50,870	9,241
Insurance	3,908	2,488	6,396	15,617
Printing	188	-	188	-
Allocation of equipment costs	13,264	16,363	29,627	-
Depreciation	60,674	198,525	259,199	32,216
Total operating expenses	<u>220,759</u>	<u>520,697</u>	<u>741,456</u>	<u>102,093</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,401</u>	<u>(147,024)</u>	<u>(144,623)</u>	<u>19,344</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	30,769	66,207	96,976	6,545
Collection of tax assessments	40,918	209,462	250,380	-
Other income	3,799	4,325	8,124	128
Interest expense	(18,138)	(81,452)	(99,590)	-
Miscellaneous expense	(2,939)	(7,819)	(10,758)	-
Amortization of bond issuance costs	(2,213)	(2,739)	(4,952)	-
Total non-operating revenues (expenses)	<u>52,196</u>	<u>187,984</u>	<u>240,180</u>	<u>6,673</u>
Income (loss) before contributions and extraordinary (loss) from defeased debt	54,597	40,960	95,557	26,017
<b>EXTRAORDINARY (LOSS) - From defeased debt</b>	<u>-</u>	<u>(3,928)</u>	<u>(3,928)</u>	<u>-</u>
Change in net assets	54,597	37,032	91,629	26,017
<b>TOTAL NET ASSETS - Beginning of year</b>	<u>1,869,959</u>	<u>2,775,137</u>	<u>4,645,096</u>	<u>316,835</u>
<b>TOTAL NET ASSETS - End of year</b>	<u>\$ 1,924,556</u>	<u>\$ 2,812,169</u>	<u>\$ 4,736,725</u>	<u>\$ 342,852</u>

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

**VILLAGE OF MANCHESTER**  
**PROPRIETARY FUND STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2007**

	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL SERVICE FUND</b>
	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>TOTAL</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 219,279	\$ 386,906	\$ 606,185	\$ 119,087
Payments to suppliers	(65,375)	(148,688)	(214,063)	(58,050)
Payments to employees	(84,705)	(159,237)	(243,942)	(19,116)
Cash paid to other funds	(32,715)	(1,905)	(34,620)	(429)
Net cash provided (used) by operating activities	<u>36,484</u>	<u>77,076</u>	<u>113,560</u>	<u>41,492</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(84,819)	(9,760)	(94,579)	(95,577)
Principal and interest paid on capital debt	(118,676)	(274,323)	(392,999)	-
Proceeds from tax/special assessments	106,109	213,578	319,687	-
Other receipts (payments)	860	(3,494)	(2,634)	128
Net cash provided (used) by capital and related financing activities	<u>(96,526)</u>	<u>(73,999)</u>	<u>(170,525)</u>	<u>(95,449)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	30,769	66,207	96,976	6,545
Net cash provided by investing activities	<u>30,769</u>	<u>66,207</u>	<u>96,976</u>	<u>6,545</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(29,273)	69,284	40,011	(47,412)
<b>Balances - beginning of year</b>	649,921	1,304,474	1,954,395	209,849
<b>Balances - end of year</b>	<u>\$ 620,648</u>	<u>\$ 1,373,758</u>	<u>\$ 1,994,406</u>	<u>\$ 162,437</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 2,401	\$ (147,024)	\$ (144,623)	19,344
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	60,674	198,525	259,199	32,216
Change in assets and liabilities				
Receivables - net	(3,881)	13,233	9,352	(452)
Prepaid expenses	238	286	524	6,572
Due from other funds	6,760	(2,587)	4,173	(1,898)
Inventories	(2,994)	-	(2,994)	-
Accounts and other payables	12,480	15,303	27,783	(13,832)
Due to other funds	(39,475)	682	(38,793)	(429)
Accrued expenses	281	(1,342)	(1,061)	(29)
<b>Net cash provided by operating activities</b>	<u>\$ 36,484</u>	<u>\$ 77,076</u>	<u>\$ 113,560</u>	<u>\$ 41,492</u>

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

**VILLAGE OF MANCHESTER**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2007**

<b>ASSETS</b>	<b>EMPLOYEE INSURANCE FUND</b>	<b>SICK PAY BENEFIT FUND</b>	<b>AGENCY FUNDS</b>
Cash and cash equivalents (Note 4)	\$ 32,110	\$ 49,845	\$ 26,863
Accounts receivable	-	-	1,779
Due from other funds (Note 5)	6,821	-	3,655
Total assets	<u>38,931</u>	<u>49,845</u>	<u>32,297</u>
 <b>LIABILITIES</b>			
Accounts payable	-	-	3
Accrued leave time	-	17,993	-
Due to other funds (Note 5)	-	-	27,294
Advances from other funds	-	-	5,000
Total liabilities	<u>-</u>	<u>17,993</u>	<u>\$ 32,297</u>
 <b>NET ASSETS</b>			
Held in trust for employee benefits	<u>\$ 38,931</u>	<u>\$ 31,852</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, 2007**

	<u>EMPLOYEE INSURANCE FUND</u>	<u>SICK PAY BENEFIT FUND</u>
<b>ADDITIONS</b>		
Employer contributions	\$ 9,161	\$ 241
Interest income	1,494	2,440
Total additions	<u>10,655</u>	<u>2,681</u>
<b>DEDUCTIONS</b>		
Benefits	<u>14,564</u>	<u>-</u>
<b>Change in net assets</b>	(3,909)	2,681
<b>Net assets - beginning of year</b>	<u>42,840</u>	<u>29,171</u>
<b>Net assets - end of year</b>	<u>\$ 38,931</u>	<u>\$ 31,852</u>

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

**VILLAGE OF MANCHESTER**  
**INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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, 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. On this basis, accordingly, the financial statements of certain other governmental organizations within the Village, such as the school district, are not included in the financial statements of the Village.

**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, 2007**

**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, 2007**

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, 2007**

**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, 2007. This account is also for amounts due from Washtenaw County for delinquent property taxes in the Tax Revenue Trust and Agency Fund.
- 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, 2007**

**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, 2007, the liability included \$25,716 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, 2007**

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

**BUDGET VIOLATIONS -**

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

FUND/DEPARTMENT	FINAL AMENDED BUDGET	ACTUAL	(EXCESS BUDGET VARIANCE)
<b>GENERAL FUND</b>			
Administration	\$ 234,850	\$ 245,592	\$ (10,742)
Debt	108,150	110,437	(2,287)
Capital outlay-Building & Grounds	382,000	410,120	(28,120)
Total	<u>\$ 725,000</u>	<u>\$ 766,149</u>	<u>\$ (41,149)</u>
<b>MAJOR STREET FUND</b>			
Street maintenance	\$ 50,950	\$ 52,707	\$ (1,757)
Bridge maintenance	-	1,300	(1,300)
	<u>\$ 50,950</u>	<u>\$ 54,007</u>	<u>\$ (3,057)</u>
<b>LOCAL STREET FUND</b>			
Traffic services	<u>\$ -</u>	<u>\$ 1,262</u>	<u>\$ (1,262)</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 15.1734 mills and is distributed as follows:

General Operation	8.2747
Water Systems	0.5232
Highways and Streets	1.6451
Parks and Recreation	0.6722
Debt Service	<u>4.0582</u>
	<u>15.1734</u>

The taxable value of real and personal property located in the Village was \$82,453,885.

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**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)	747,961	747,961
Uninsured and uncollateralized	2,766,117	3,071,355
	\$ 3,514,303	\$ 3,516,913
Reported in financial statements:		
Governmental funds	\$ 1,411,079	
Proprietary funds (Business-type)	1,994,406	
Fiduciary funds	108,818	
	\$ 3,514,303	

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, 2007, the Village had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Certificate of Deposit - Uninsured	3/4/08	\$ 302,403	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, 2007**

**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, 2007, are as follows:

General	<u>\$ 8,000</u>	Operational Clearing	<u>\$ 8,000</u>
Major	<u>424</u>	General	<u>424</u>
Local Street	<u>425</u>	General	<u>425</u>
Parks & Recreation	<u>64</u>	General	<u>64</u>
Water	-	General	1,476
	-	Sewer	3,614
	-	Tax Revenues	11,595
	-	Payroll	58
	<u>16,743</u>		<u>16,743</u>
Sewer	-	General	1,310
	-	Tax Revenues	760
	-	Payroll	58
	<u>2,128</u>		<u>2,128</u>
Subtotal	<u>27,784</u>		<u>27,784</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
Carryover	<u>27,784</u>		<u>27,784</u>
Equipment	-	General Fund	2,759
	-	Major Street	2,343
	-	Local Street	2,400
	-	Parks	500
	-	Sewer	2,583
	-	Water	2,163
	<u>12,748</u>		<u>12,748</u>
Payroll	<u>608</u>	General	<u>608</u>
Tax Revenues	-	General	2,526
	-	Municipal Street	373
	-	Parks	148
	<u>3,047</u>		<u>3,047</u>
Employee Insurance	<u>6,821</u>	Payroll	<u>6,821</u>
Total	<u>\$ 51,008</u>	Total	<u>\$ 51,008</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 6 – CAPITAL ASSETS:**

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

	07/01/06	INCREASES	DECREASES	06/30/07
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Capital assets not being depreciated				
Land	\$ 79,901	\$ -	\$ -	\$ 79,901
Construction in progress	48,125	63,420	-	111,545
Subtotal	<u>128,026</u>	<u>63,420</u>	<u>-</u>	<u>191,446</u>
Capital assets being depreciated				
Land improvements	179,254	-	-	179,254
Buildings and improvements	1,798,864	410,120	-	2,208,984
Equipment, furniture and fixtures	694,040	175,447	43,571	825,916
Infrastructure - roads	2,858,005	-	-	2,858,005
Subtotal	<u>5,530,163</u>	<u>585,567</u>	<u>43,571</u>	<u>6,072,159</u>
Less accumulated depreciation for				
Land improvements	88,832	8,565	-	97,397
Buildings and improvements	335,013	52,681	-	387,694
Equipment, furniture and fixtures	557,509	35,711	40,108	553,112
Infrastructure - roads	975,594	142,900	-	1,118,494
Subtotal	<u>1,956,948</u>	<u>239,857</u>	<u>40,108</u>	<u>2,156,697</u>
Net capital assets being depreciated	<u>3,573,215</u>	<u>345,710</u>	<u>3,463</u>	<u>3,915,462</u>
Capital assets - net of depreciation	<u>\$ 3,701,241</u>	<u>\$ 409,130</u>	<u>\$ 3,463</u>	<u>\$ 4,106,908</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 6 – CAPITAL ASSETS: (Continued)

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

	<u>07/01/06</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/07</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	256,537	94,579	17,700	333,416
Distribution and collection system	7,714,363	-	-	7,714,363
Subtotal	<u>7,990,100</u>	<u>94,579</u>	<u>17,700</u>	<u>8,066,979</u>
Less accumulated depreciation for				
Buildings and improvements	3,433	781	-	4,214
Equipment, furniture and fixtures	112,213	24,686	17,700	119,199
Distribution and collection system	3,305,776	233,733	-	3,539,509
Subtotal	<u>3,421,422</u>	<u>259,200</u>	<u>17,700</u>	<u>3,662,922</u>
Net capital assets being depreciated	<u>4,568,678</u>	<u>(164,621)</u>	<u>-</u>	<u>4,404,057</u>
Capital assets - net of depreciation	<u>\$ 4,598,683</u>	<u>\$ (164,621)</u>	<u>\$ -</u>	<u>\$ 4,434,062</u>

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

GOVERNMENTAL ACTIVITIES	<u>\$ 239,857</u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 60,674
Sewer	<u>198,525</u>
Total business type activities	<u>\$ 259,199</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 7 – EMPLOYEES' PENSION PLAN:**

The Village contributes to a defined contribution pension plan, administered by Principal Mutual Life, 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 an employee and contributions by the Village both vest immediately. Each employee may contribute 6% to 7% of his or her gross earnings to the pension plan. The Village is required to contribute an amount equal to what each employee contributes up to 6% of the employee's gross earnings, excluding any overtime earnings. Contributions are reduced by plan administrative charges.

During the year ending June 30, 2007, the Village's required contributions amounted to \$19,692 which was 6.00% of its current year covered payroll. Employees contributions amounted to \$20,460 which was 6.4% of the Village's current year covered payroll.

Total payroll for the fiscal year ending June 30, 2007, was \$429,008 and total payroll subject to retirement benefits was \$319,109.

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.

**NOTE 8 - DEFERRED COMPENSATION PLAN:**

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. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**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:

	DEBT OUT- STANDING 07/01/06	ADDITIONS OF NEW DEBT	RETIREMENTS AND REPAYMENTS	DEBT OUT- STANDING 06/30/07
<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%	\$ 1,035,000	\$ -	\$ (50,000)	\$ 985,000
<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%.	\$ 324,282	\$ -	\$ (50,000)	\$ 274,282
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%.	880,000	-	(95,000)	785,000
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%.	440,000	-	(45,000)	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%	440,000	-	(30,000)	410,000
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%.	370,000	-	(70,000)	300,000
Total business type activities	<u>\$ 2,454,282</u>	<u>\$ -</u>	<u>\$ (290,000)</u>	<u>\$ 2,164,282</u>

**VILLAGE OF MANCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**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>
2008	50,000	54,900
2009	55,000	52,150
2010	60,000	49,125
2011	60,000	45,825
2012	65,000	42,525
Thereafter	<u>695,000</u>	<u>187,475</u>
	<u>\$ 985,000</u>	<u>\$ 432,000</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>
2008	250,000	91,935
2009	260,000	83,162
2010	265,000	73,761
2011	265,000	64,035
2012	304,282	50,170
Thereafter	<u>820,000</u>	<u>232,659</u>
	<u>\$ 2,164,282</u>	<u>\$ 595,722</u>

**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, 2007**

**NOTE 11 – JOINT VENTURE**

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

**NOTE 12 – SUBSEQUENT EVENTS**

The Village has received a grant for the re-construction of Hibbard Street, a major street in the Village. The grant calls for a 20% match of funds. The Village's portion of the match is estimated to be \$331,000.

The Village decided that it would retire a Sewer Bond early; the payment including interest was \$430,237.50 and was paid in July 2007.

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
Taxes -				
Current property taxes	\$ 750,670	\$ 750,670	\$ 755,058	\$ 4,388
Downtown development authority	6,000	6,000	4,205	(1,795)
Total	<u>756,670</u>	<u>756,670</u>	<u>759,263</u>	<u>2,593</u>
Franchise fees	<u>21,000</u>	<u>21,000</u>	<u>22,255</u>	<u>1,255</u>
Licenses and permits	<u>2,100</u>	<u>2,100</u>	<u>6,750</u>	<u>4,650</u>
Fees and fines	<u>9,100</u>	<u>9,100</u>	<u>9,547</u>	<u>447</u>
Intergovernmental				
Sales tax	205,500	205,500	199,112	(6,388)
State liquor control	1,700	1,700	1,526	(174)
State metro act	-	-	6,869	6,869
Total	<u>207,200</u>	<u>207,200</u>	<u>207,507</u>	<u>307</u>
Charges for services				
Department of public works	1,500	1,500	2,538	1,038
Garbage pickup	57,650	63,650	63,841	191
Total	<u>59,150</u>	<u>65,150</u>	<u>66,379</u>	<u>1,229</u>
Rental income	<u>94,850</u>	<u>82,850</u>	<u>83,737</u>	<u>887</u>
Interest income	<u>14,150</u>	<u>16,150</u>	<u>36,695</u>	<u>20,545</u>
Other revenues	<u>500</u>	<u>15,200</u>	<u>16,011</u>	<u>811</u>
<b>Total Revenues</b>	<u>\$ 1,164,720</u>	<u>\$ 1,175,420</u>	<u>\$ 1,208,144</u>	<u>\$ 32,724</u>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<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>				
<b>LEGISLATIVE:</b>				
<b>VILLAGE COUNCIL:</b>				
Salaries and wages	\$ -	\$ -	\$ 52,200	\$ -
Payroll taxes	-	-	3,863	-
Employee benefits	-	-	14,826	-
Memberships	-	-	2,177	-
Training, education and seminars	-	-	144	-
Purchased services - other	-	-	170	-
Purchased services - planning	-	-	1,000	-
Operating supplies	-	-	116	-
Printing	-	-	2,685	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
Chamber of Commerce	-	-	500	-
Community promotion	-	-	77	-
Miscellaneous	-	-	572	-
	<u>97,600</u>	<u>97,600</u>	<u>81,330</u>	<u>16,270</u>
<b>GENERAL GOVERNMENT:</b>				
<b>ADMINISTRATION:</b>				
Salaries and wages	-	-	84,471	-
Payroll taxes	-	-	6,596	-
Employee benefits	-	-	25,000	-
Operating supplies	-	-	3,957	-
Postage	-	-	2,276	-
Telephone	-	-	3,544	-
Memberships	-	-	240	-
Training, education and seminars	-	-	269	-
Purchased services - legal	-	-	4,278	-
Purchased services - audit	-	-	3,717	-
Purchased services - other	-	-	1,626	-
Garbage services	-	-	58,572	-
Printing	-	-	1,320	-
Insurance	-	-	27,206	-
Travel	-	-	1,343	-
Repairs and maintenance	-	-	2,614	-
Tax refunds	-	-	17,153	-
Miscellaneous	-	-	1,410	-
	<u>232,350</u>	<u>234,850</u>	<u>245,592</u>	<u>(10,742)</u>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<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	-	-	5,732	-
Payroll taxes	-	-	438	-
Employee benefits	-	-	1,125	-
Operating supplies	-	-	4,923	-
Public utilities	-	-	48,116	-
Insurance	-	-	21,646	-
Repairs and maintenance	-	-	16,138	-
Purchased services - cleaning	-	-	20,400	-
Purchased services - other	-	-	9,232	-
Allocation of equipment costs	-	-	10,207	-
<b>Total</b>	<b>158,950</b>	<b>148,050</b>	<b>137,957</b>	<b>10,093</b>
<b>Total general government</b>	<b>391,300</b>	<b>382,900</b>	<b>383,549</b>	<b>(649)</b>
<b>PUBLIC WORKS:</b>				
<b>DEPARTMENT OF PUBLIC WORKS:</b>				
Salaries and wages	-	-	397	-
Payroll taxes	-	-	30	-
Employee benefits	-	-	168	-
Operating supplies	-	-	3,057	-
Uniforms	-	-	5,206	-
Purchased services - other	-	-	446	-
Telephone	-	-	2,421	-
Memberships	-	-	126	-
<b>Total</b>	<b>12,000</b>	<b>12,000</b>	<b>11,851</b>	<b>149</b>
<b>TREE REMOVAL AND REPLACEMENT:</b>				
Salaries and wages	-	-	3,557	-
Payroll taxes	-	-	273	-
Employee benefits	-	-	1,313	-
Operating supplies	-	-	60	-
Purchased services - other	-	-	7,131	-
Allocation of equipment costs	-	-	7,792	-
<b>Total</b>	<b>19,150</b>	<b>32,500</b>	<b>20,126</b>	<b>12,374</b>

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<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>SIDEWALK CONSTRUCTION:</b>				
Salaries and wages	-	-	176	-
Payroll taxes	-	-	15	-
Employee benefits	-	-	56	-
Operating supplies	-	-	78	-
Purchased services - other	-	-	211	-
<b>Total</b>	<b>4,550</b>	<b>2,550</b>	<b>536</b>	<b>2,014</b>
<b>LIGHTING:</b>				
Street lighting	40,350	40,350	36,866	3,484
<b>RECYCLING:</b>				
Salaries and wages	-	-	8,495	-
Payroll taxes	-	-	656	-
Employee benefits	-	-	2,812	-
Operating supplies	-	-	158	-
Purchased services - other	-	-	6,401	-
Printing	-	-	135	-
Allocation of equipment costs	-	-	19,905	-
<b>Total</b>	<b>37,800</b>	<b>43,000</b>	<b>38,562</b>	<b>4,438</b>
<b>Total public works</b>	<b>113,850</b>	<b>130,400</b>	<b>107,941</b>	<b>22,459</b>
<b>PUBLIC SAFETY:</b>				
<b>POLICE ADMINISTRATION:</b>				
Purchased services - Police	-	-	405,417	-
Purchased services - Legal	-	-	3,225	-
<b>Total</b>	<b>413,500</b>	<b>413,500</b>	<b>408,642</b>	<b>4,858</b>
<b>PLANNING COMMISSION:</b>				
Salaries and wages	-	-	3,163	-
Payroll taxes	-	-	189	-
Employee benefits	-	-	71	-
Operating supplies	-	-	296	-
Purchased services - planning	-	-	8,291	-
Printing	-	-	378	-
Training, education and seminars	-	-	150	-
Memberships	-	-	625	-
<b>Total</b>	<b>15,300</b>	<b>15,300</b>	<b>13,163</b>	<b>2,137</b>
<b>Total public safety</b>	<b>428,800</b>	<b>428,800</b>	<b>421,805</b>	<b>6,995</b>
<b>DOWNTOWN DEVELOPMENT AUTHORITY:</b>				
Operating supplies	6,000	6,000	-	6,000

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

**VILLAGE OF MANCHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u> <u>POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES:</b> (Continued)				
<b>DEBT SERVICE:</b>				
<b>MUNICIPAL BOND EXPENDITURES:</b>				
Bond principal payments	-	-	50,000	-
Interest	-	-	57,192	-
Purchased services - other	-	-	500	-
Tax refunds	-	-	2,745	-
<b>Total debt service</b>	<u>108,150</u>	<u>108,150</u>	<u>110,437</u>	<u>(2,287)</u>
<b>CAPITAL OUTLAY:</b>				
Building and grounds	<u>350,000</u>	<u>382,000</u>	<u>410,120</u>	<u>(28,120)</u>
<b>Total expenditures</b>	<u>1,495,700</u>	<u>1,535,850</u>	<u>1,515,182</u>	<u>20,668</u>
<b>Net change in fund balances</b>	(330,980)	(360,430)	(307,038)	53,392
<b>Fund balance, beginning of year</b>	<u>974,768</u>	<u>974,768</u>	<u>974,768</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 643,788</u>	<u>\$ 614,338</u>	<u>\$ 667,730</u>	<u>\$ 53,392</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, 2007**

	<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	\$ 110,000	\$ 105,000	\$ 107,348	\$ 2,348
Charges for services	500	2,900	2,907	7
Donations	880,000	-	-	-
Interest income	-	-	9,864	9,864
Total revenues	<u>990,500</u>	<u>107,900</u>	<u>120,119</u>	<u>12,219</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>ADMINISTRATION:</b>				
Salaries and wages	-	-	13,156	-
Payroll taxes	-	-	963	-
Employee benefits	-	-	4,612	-
Repairs and maintenance	-	-	486	-
Insurance	-	-	3,703	-
Purchased services - audit	-	-	2,318	-
Total General Government	<u>20,000</u>	<u>26,350</u>	<u>25,238</u>	<u>1,112</u>
<b>PUBLIC WORKS:</b>				
<b>STREET CONSTRUCTION:</b>				
Allocation of equipment costs	-	-	44	-
Purchased services - engineering	-	-	260	-
Construction projects	-	-	63,421	-
Total	<u>1,250,000</u>	<u>66,400</u>	<u>63,725</u>	<u>2,675</u>
<b>STREET MAINTENANCE:</b>				
Salaries and wages	-	-	19,554	-
Payroll taxes	-	-	1,464	-
Employee benefits	-	-	7,013	-
Operating supplies	-	-	625	-
Purchased services - other	-	-	2,065	-
Allocation of equipment costs	-	-	16,848	-
Repairs and maintenance	-	-	5,138	-
Total	<u>52,650</u>	<u>50,950</u>	<u>52,707</u>	<u>(1,757)</u>
<b>BRIDGE MAINTENANCE:</b>				
Salaries and wages	-	-	33	-
Operating supplies	-	-	17	-
Purchased services - engineering	-	-	1,250	-
Total	<u>1,600</u>	<u>-</u>	<u>1,300</u>	<u>(1,300)</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, 2007**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>EXPENDITURES (CONTINUED):</b>				
<b>PUBLIC WORKS: (CONTINUED)</b>				
<b>WINTER MAINTENANCE:</b>				
Salaries and wages	-	-	2,154	-
Payroll taxes	-	-	166	-
Employee benefits	-	-	834	-
Operating supplies	-	-	5,507	-
Allocation of equipment costs	-	-	4,047	-
Total	<u>22,200</u>	<u>13,200</u>	<u>12,708</u>	<u>492</u>
<b>TRAFFIC SERVICES:</b>				
Salaries and wages	-	-	2,022	-
Payroll taxes	-	-	179	-
Employee benefits	-	-	634	-
Operating supplies	-	-	1,029	-
Purchased services - other	-	-	175	-
Allocation of equipment costs	-	-	1,665	-
Total	<u>4,050</u>	<u>7,250</u>	<u>5,704</u>	<u>1,546</u>
Total public works	<u>1,330,500</u>	<u>137,800</u>	<u>136,144</u>	<u>1,656</u>
Total expenditures	<u>1,350,500</u>	<u>164,150</u>	<u>161,382</u>	<u>2,768</u>
Excess of revenues over expenditures before other financing sources (uses)	(360,000)	(56,250)	(41,263)	14,987
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in	<u>260,000</u>	<u>57,000</u>	<u>35,000</u>	<u>(22,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(100,000)	750	(6,263)	(7,013)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>223,406</u>	<u>223,406</u>	<u>223,406</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 123,406</u>	<u>\$ 224,156</u>	<u>\$ 217,143</u>	<u>\$ (7,013)</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, 2007**

	<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	\$ 42,300	\$ 42,263	\$ (37)
Charges for services	-	-	13,184	13,184
Total revenues	<u>44,000</u>	<u>42,300</u>	<u>55,447</u>	<u>13,147</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>ADMINISTRATION:</b>				
Salaries and wages	-	-	12,900	-
Payroll taxes	-	-	944	-
Employee benefits	-	-	4,557	-
Purchased services - audit	-	-	211	-
Insurance	-	-	6,665	-
Repairs and maintenance	-	-	494	-
Total General Government	<u>22,870</u>	<u>26,470</u>	<u>25,771</u>	<u>699</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	-	-	20,298	-
Payroll taxes	-	-	1,484	-
Employee benefits	-	-	7,216	-
Operating supplies	-	-	479	-
Purchased services - other	-	-	1,514	-
Repairs and maintenance	-	-	490	-
Allocation of equipment costs	-	-	19,905	-
Total	<u>56,850</u>	<u>56,850</u>	<u>51,386</u>	<u>5,464</u>
<b>WINTER MAINTENANCE:</b>				
Salaries and wages	-	-	1,707	-
Payroll taxes	-	-	132	-
Employee benefits	-	-	631	-
Operating supplies	-	-	5,506	-
Allocation of equipment costs	-	-	3,332	-
Total	<u>17,550</u>	<u>11,600</u>	<u>11,308</u>	<u>292</u>
<b>BRIDGE MAINTENANCE:</b>				
Purchased services - engineering	-	-	1,250	-
Allocation of equipment costs	-	-	12	-
Total	<u>1,000</u>	<u>-</u>	<u>1,262</u>	<u>(1,262)</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, 2007**

	<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>TRAFFIC SERVICES:</b>				
Salaries and wages	-	-	2,003	-
Payroll taxes	-	-	244	-
Employee benefits	-	-	719	-
Operating supplies	-	-	417	-
Purchased services - other	-	-	342	-
Allocation of equipment costs	-	-	2,052	-
Total	<u>4,950</u>	<u>9,450</u>	<u>5,777</u>	<u>3,673</u>
Total public works	<u>100,350</u>	<u>77,900</u>	<u>69,733</u>	<u>8,167</u>
Total expenditures	<u>123,220</u>	<u>104,370</u>	<u>95,504</u>	<u>8,866</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(79,220)</u>	<u>(62,070)</u>	<u>(40,057)</u>	<u>22,013</u>
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in	<u>79,220</u>	<u>62,070</u>	<u>17,000</u>	<u>(45,070)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(23,057)	(23,057)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>47,017</u>	<u>47,017</u>	<u>47,017</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 47,017</u>	<u>\$ 47,017</u>	<u>\$ 23,960</u>	<u>\$ (23,057)</u>

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

**VILLAGE OF MANCHESTER**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	SPECIAL REVENUE FUNDS			
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE- MENT	TOTAL
<b>ASSETS</b>				
Cash and cash equivalents (Note 4)	\$ 314,679	\$ 86,613	\$ 335,559	\$ 736,851
Accounts receivable - taxes	6,993	2,857	-	9,850
Due from other funds (Note 5)	-	64	-	64
Prepaid expenses	-	2,936	-	2,936
Total assets	\$ 321,672	\$ 92,470	\$ 335,559	\$ 749,701
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,143	\$ 1,844	\$ -	\$ 4,987
Accrued payroll	-	603	-	603
Due to other funds (Note 5)	373	648	-	1,021
Total liabilities	3,516	3,095	-	6,611
 <b>FUND BALANCE:</b>				
Reserved:				
Capital outlay	-	25,597	-	25,597
Prepaid expenses	-	2,936	-	2,936
Unreserved	318,156	60,842	335,559	714,557
Total fund balance	318,156	89,375	335,559	743,090
Total liabilities and fund balance	\$ 321,672	\$ 92,470	\$ 335,559	\$ 749,701

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, 2007**

	<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	\$ 128,658	\$ 52,571	\$ -	\$ 181,229
Interest income	14,841	2,887	15,989	33,717
Contributions	-	93,902	-	93,902
Other revenue	2,503	1,328	-	3,831
Total revenues	<u>146,002</u>	<u>150,688</u>	<u>15,989</u>	<u>312,679</u>
<b>EXPENDITURES:</b>				
Salaries and wages	-	11,304	-	11,304
Payroll taxes	-	848	-	848
Employee benefits	-	1,975	-	1,975
Operating supplies	-	3,941	-	3,941
Purchased services - other	-	3,174	-	3,174
Purchased services - audit	-	90	-	90
Repairs and maintenance	-	3,382	-	3,382
Public utilities	-	752	-	752
Insurance	-	3,382	-	3,382
Printing	-	318	-	318
Allocation of equipment costs	-	6,000	-	6,000
Miscellaneous	3,243	1,321	-	4,564
Capital outlay	-	79,870	-	79,870
Total expenditures	<u>3,243</u>	<u>116,357</u>	<u>-</u>	<u>119,600</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>142,759</u>	<u>34,331</u>	<u>15,989</u>	<u>193,079</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(52,000)	-	-	(52,000)
Total other financing sources (uses)	<u>(52,000)</u>	<u>-</u>	<u>-</u>	<u>(52,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	90,759	34,331	15,989	141,079
<b>FUND BALANCE - Beginning of year</b>	<u>227,397</u>	<u>55,044</u>	<u>319,570</u>	<u>602,011</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 318,156</u>	<u>\$ 89,375</u>	<u>\$ 335,559</u>	<u>\$ 743,090</u>

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

VILLAGE OF MANCHESTER  
 SCHEDULE OF INDEBTEDNESS  
 JUNE 30, 2007

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/07	06/30/08	
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>LIMITED TAX GENERAL OBLIGATION BONDS:</b>								
Series - B Refunding Bonds,								
Series 1993								
	08/30/93	\$ 765,000	5.75%	03/01/08	\$ 45,000	\$ -	\$ -	23,512
			5.85%	03/01/09	50,000	50,000	50,000	20,925
			5.95%	3/1/10 thru 11	50,000	100,000	100,000	33,025
			6.00%	3/1/12 thru 13	50,000	100,000	100,000	21,100
			6.05%	3/1/14 thru 15	50,000	100,000	100,000	9,076
					\$ 395,000	\$ 350,000	\$ 350,000	107,638
<b>Total Limited Tax General Obligation Bonds</b>								
<b>UNLIMITED TAX GENERAL OBLIGATION BONDS -</b>								
Series - A Refunding Bonds								
	08/30/93	\$ 1,750,000	5.70%	03/01/08	\$ 50,000	\$ -	\$ -	46,962
			5.80%	03/01/09	50,000	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
					\$ 785,000	\$ 735,000	\$ 735,000	389,235
<b>Total Unlimited Tax General Obligation Bonds</b>								
<b>MICHIGAN MUNICIPAL BOND AUTHORITY:</b>								
Michigan Drinking Water Revolving Fund								
	09/29/98	\$ 620,000	2.50%	04/01/08	\$ 30,000	\$ -	\$ -	10,250
			2.50%	04/01/09	30,000	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
					\$ 410,000	\$ 380,000	\$ 380,000	69,875
<b>Total Michigan Drinking Water Revolving Fund Program</b>								
					\$ 1,590,000	\$ 1,465,000	\$ 1,465,000	566,748
<b>Subtotal</b>								

VILLAGE OF MANCHESTER  
 SCHEDULE OF INDEBTEDNESS  
 JUNE 30, 2007

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/07	06/30/08	
<b>Subtotal - Previous Page</b>								
		\$			\$	\$	\$	\$
General Obligation Bonds:								
Series 1991	03/28/91	\$ 985,000	2.00%	10/01/07	\$ 50,000	\$ 55,000	\$ -	\$ 4,986
			2.00%	10/01/08	55,000	55,000		3,936
			2.00%	10/01/09	55,000	55,000		2,836
			2.00%	10/01/10	55,000	55,000		1,736
			2.00%	10/01/11	59,282	59,282		593
<b>Total General Obligation Bonds</b>					<b>\$ 274,282</b>	<b>\$ 224,282</b>	<b>\$ -</b>	<b>\$ 14,087</b>
Special Assessment Bonds:								
Series 2004	03/15/04	\$ 490,000	2.00%	10/01/07	\$ 75,000	\$ 75,000	\$ -	\$ 6,225
			2.10%	10/01/08	75,000	75,000		4,888
			2.50%	10/01/09	75,000	75,000		2,963
			2.70%	10/01/10	75,000	75,000		1,011
<b>Total Special Assessment Bonds</b>					<b>\$ 300,000</b>	<b>\$ 225,000</b>	<b>\$ -</b>	<b>\$ 14,887</b>
<b>Total Water and Sewer Enterprise Funds</b>					<b>\$ 2,164,282</b>	<b>\$ 1,914,282</b>	<b>\$ -</b>	<b>\$ 595,722</b>
General Obligation Bonds:								
Series 2000	06/29/00	\$ 1,250,000	5.50%	05/01/08	\$ 50,000	\$ 55,000	\$ -	\$ 54,900
			5.50%	05/01/09	55,000	60,000		52,150
			5.50%	05/01/10	60,000	60,000		48,125
			5.50%	05/01/11	60,000	60,000		45,825
			5.50%	05/01/12	65,000	65,000		42,525
			5.50%	05/01/13	70,000	70,000		38,950
			5.50%	05/01/14	75,000	75,000		35,100
			5.50%	05/01/15	80,000	80,000		30,975
			5.50%	05/01/16	85,000	85,000		26,575
			5.60%	05/01/17	90,000	90,000		21,858
			5.65%	05/01/18	95,000	95,000		16,817
			5.70%	05/01/19	100,000	100,000		11,450
			5.75%	05/01/20	100,000	100,000		5,750
<b>Total General Government Activity</b>					<b>\$ 985,000</b>	<b>\$ 935,000</b>	<b>\$ -</b>	<b>\$ 432,000</b>

# 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

December 7, 2007  
Village Council  
Village of Manchester

We have audited the financial statements of Village of Manchester for the year ended June 30, 2007, and have issued our report thereon dated December 7, 2007. Professional standards require that we provided you with the following information related to our audit.

## **Our responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated September 21, 2007 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic 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, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Village of Manchester. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## **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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2007. We noted no transactions entered into by 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.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village of Manchester's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Village of Manchester, either individually or in the aggregate, indicate matters that could have a significant effect on the Village of Manchester's financial 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 governmental unit'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 the Village of Manchester's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

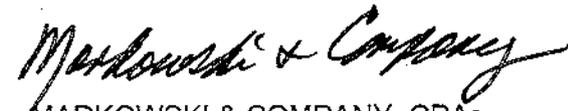
Village Council  
Village of Manchester  
Page Three

**Difficulties Encountered in Performing the Audit**

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

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

Very truly yours,

  
MARKOWSKI & COMPANY, CPAs

**VILLAGE OF MANCHESTER**  
**MEMORANDUM OF COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**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.

**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 needs to continue to exercise appropriate management oversight to help compensate for the lack of staff. The only corrective action would be to hire additional staff, which is not practical.

**GASB 43 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.

**Downtown Development Authority**

The Village has created a Downtown Development Authority to capture taxes with the intent of improving the Village's downtown business district. Currently these revenues and expenditures are being recorded in the general fund of the Village. We recommend that a separate fund be created as mandated by the State of Michigan.