

BARTON HILLS VILLAGE
Washtenaw County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
March 31, 2014

BARTON HILLS VILLAGE
For the Year Ended March 31, 2014

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FINANCIAL SECTION

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Independent Auditor's Report

August 19, 2014

To the Board of Trustees
Barton Hills Village
Washtenaw County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barton Hills Village, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Barton Hills Village, Michigan, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Respectfully,

PSLZ, LLP

PSLZ, LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of Barton Hills Village, we offer readers of Barton Hills Village's financial statements this narrative overview and analysis of the financial activities of Barton Hills Village for the fiscal year ended March 31, 2014.

Financial Highlights

- The assets of Barton Hills Village exceeded its liabilities at the close of the most recent fiscal year by \$2,146,360 (*Net Position*). Of this amount, \$506,277 (*unrestricted Net Position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Barton Hills Village's governmental funds reported combined ending fund balances of \$951,733, a decrease of \$100,544 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$230,977, or 30 percent of total general fund expenditures.
- Barton Hills Village's total debt decreased \$32,176 during the current fiscal year, due to a combination of debt repayments and increases of compensated absences.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Barton Hills Village's basic financial statements. Barton Hills Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Barton Hills Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Barton Hills Village's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Barton Hills Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Barton Hills Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of Barton Hills Village include general government, public safety, public works and other activities. The Village has no business-type activities.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Barton Hills Village, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Barton Hills Village are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Barton Hills Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Improvement Reserve Fund, and Major Street Fund which are considered to be major funds.

Barton Hills Village adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the major street fund special revenue fund to demonstrate compliance with this budget. A budget was also presented for the Capital Projects Fund, Public Improvement Reserve Fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 -26 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Barton Hills Village, assets exceeded liabilities by \$2,146,360 at the close of the most recent fiscal year.

A significant portion of Barton Hills Village's net position (56 percent) reflects its investment in capital assets, net of debt (e.g., land, buildings, infrastructure, and equipment). Barton Hills Village used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Barton Hills Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental	
	2014	2013
Current and Other Assets	974,338	1,060,459
Capital Assets	1,385,444	1,254,993
Total Assets	<u>2,359,782</u>	<u>2,315,452</u>
Long-term Liabilities	190,817	222,993
Other Liabilities	22,605	8,182
Total Liabilities	<u>213,422</u>	<u>231,175</u>
Net Position:		
Net Investment in		
Capital Assets	1,206,464	1,042,138
Restricted	433,619	419,178
Unrestricted	506,277	622,961
Total Net Position	<u>\$ 2,146,360</u>	<u>\$ 2,084,277</u>

The remaining, and largest portion of *unrestricted net position* (\$506,277) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Barton Hills Village is able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.

The government's net position increased by \$62,083 during the current fiscal year as shown in the table below:

	Governmental	
	2014	2013
Program Revenues:		
Charges for Services	\$ 91,165	\$ 85,133
Operating Grants & Contributions	12,068	11,738
General Revenues:		
Property Taxes	539,824	541,091
State Shared Revenues	21,855	21,437
Unrestricted Investment Earnings	5,736	9,368
Franchise Fees	8,825	8,239
Total Revenues	<u>679,473</u>	<u>677,006</u>
Program Expenses		
General Government	108,153	104,126
Public Safety	4,372	6,670
Public Works	349,678	327,179
Recreation & Culture	941	1,249
Other	154,246	151,368
Total Expenses	<u>617,390</u>	<u>590,592</u>
Change in Net Position	<u>\$ 62,083</u>	<u>\$ 86,414</u>

Governmental activities. In 2014, governmental activities increased Barton Hills Village's net position by \$62,083 as expenses increased by a larger proportion to revenues from 2013 to 2014.

Financial Analysis of the Government's Funds

As noted earlier, Barton Hills Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Barton Hills Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Barton Hills Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Barton Hills Village's governmental funds reported combined ending fund balances of \$951,733, a decrease of \$100,544 in comparison with the prior year.

The general fund is the chief operating fund of Barton Hills Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$230,977, and the total fund balance was \$518,114. Unassigned fund balance represents 30 percent of total general fund expenditures.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended expenditure budget were \$37,781 which represented a 4% decrease in overall appropriations.

Capital Asset and Debt Administration

Capital assets. Barton Hills Village's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$1,385,444 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water improvements, and equipment. The Village made street improvements, replaced a chemical feeder, purchased two trucks and made major improvements to the maintenance area garage.

Details to the Village's capital assets are continued in the notes to the financial statements on page 21.

Long-term debt. At the end of the current fiscal year, Barton Hills Village had total long term debt outstanding of \$190,817, which consisted of accumulated unpaid sick and vacation pay, and the outstanding balance of an installment note payable.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and other fiscal challenges, such as flat or no property tax growth. State shared revenues are expected to remain constant for the 2015 fiscal year.

These factors were considered in preparing Barton Hills Village's budget for the 2014/2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Barton Hills Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Barton Hills Village Board.

BASIC FINANCIAL STATEMENTS

BARTON HILLS VILLAGE
Statement of Net Position
March 31, 2014

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	935,808
Receivables (Net of Allowance for Uncollectibles):		
Accounts		25,741
Prepaid Expenditures		12,789
Capital Assets (Net of Accumulated Depreciation)		1,385,444
Total Assets		<u>2,359,782</u>
 <u>LIABILITIES</u>		
Accounts Payable		10,898
Accrued Liabilities		11,707
Noncurrent Liabilities:		
Compensated Absences		11,837
Long-Term Debt Payable – Short-Term		35,698
Long-Term Debt Payable – Long-Term		143,282
Total Liabilities		<u>213,422</u>
 <u>Net Position</u>		
Net Investment in Capital Assets		1,206,464
Restricted-Major and Local Streets		212,612
Restricted-Capital Projects		221,007
Unrestricted		506,277
Total Net Position	\$	<u>2,146,360</u>

BARTON HILLS VILLAGE
Statement of Activities
For the Year Ended March 31, 2014

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Primary Government:	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 108,153	\$ 85,017	\$ -	\$ (23,136)
Public Safety	4,372	-	-	(4,372)
Public Works	349,678	6,148	12,068	(331,462)
Recreation and Cultural	941	-	-	(941)
Other	144,529	-	-	(144,529)
Interest on Long-Term Debt	9,717	-	-	(9,717)
Total Governmental Activities	\$ 617,390	\$ 91,165	\$ 12,068	(514,157)

General Revenues:	
Property Taxes	539,824
State Shared Revenue	21,855
Franchise Fees	8,825
Unrestricted Investment Earnings	5,736
Total General Revenues	576,240
Change in Net Position	62,083
Net Position – Beginning	2,084,277
Net Position – Ending	\$ 2,146,360

BARTON HILLS VILLAGE
Balance Sheet
Governmental Funds
March 31, 2014

	<u>General</u>	<u>Public Improvement Reserve Fund</u>	<u>Major Streets</u>	<u>Other Governmental Funds Local Streets</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 502,189	\$ 221,007	\$ 155,265	\$ 57,347	\$ 935,808
Receivables (Net of Allowance for Uncollectibles):					
Accounts	25,741	-	-	-	25,741
Prepaid Expenditures	12,789	-	-	-	12,789
Total Assets	\$ 540,719	\$ 221,007	\$ 155,265	\$ 57,347	\$ 974,338
 <u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 10,898	\$ -	\$ -	\$ -	\$ 10,898
Accrued Liabilities	11,707	-	-	-	11,707
Total Liabilities	22,605	-	-	-	22,605
Fund Balances:					
Non Spendable-Prepaid Insurance	12,789	-	-	-	12,789
Restricted-Capital Projects Fund	-	221,007	-	-	221,007
Restricted-Special Revenue Funds	-	-	155,265	57,347	212,612
Committed-2015 Budget	274,348	-	-	-	274,348
Uncommitted:					
Unassigned	230,977	-	-	-	230,977
Total Fund Balance	518,114	221,007	155,265	57,347	951,733
Total Liabilities and Fund Balances	\$ 540,719	\$ 221,007	\$ 155,265	\$ 57,347	

Amounts reported for governmental activities in the statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,385,444

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Act 99 Installment Note

\$ (178,980)

Compensated Absences payable

(11,837)

(190,817)

Net Position of Governmental Activities

\$ 2,146,360

BARTON HILLS VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2014

	<u>General</u>	<u>Public Improvement Reserve Fund</u>	<u>Major Streets</u>	<u>Other Governmental Funds Local Streets</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Current Taxes	\$ 537,229	\$ -	\$ -	\$ -	\$ 537,229
State Shared Revenues	21,855	-	9,051	3,017	33,923
Water Services	6,148	-	-	-	6,148
Lease Revenue	72,006	-	-	-	72,006
Franchise Fee	8,825	-	-	-	8,825
Interest Income	3,363	1,209	849	315	5,736
Interest & Penalties	2,595	-	-	-	2,595
Miscellaneous Revenues	13,011	-	-	-	13,011
Total Revenues	<u>665,032</u>	<u>1,209</u>	<u>9,900</u>	<u>3,332</u>	<u>679,473</u>
<u>Expenditures</u>					
Current:					
General Government	197,000	-	-	-	197,000
Public Safety	1,377	-	-	-	1,377
Planning and Zoning	2,510	-	-	-	2,510
Highways and Streets	84,058	-	-	-	84,058
Parks	941	-	-	-	941
Sanitation	40,860	-	-	-	40,860
Water Department	47,217	-	-	-	47,217
Public Service	217,933	-	-	-	217,933
Debt Service	43,592	-	-	-	43,592
Other	144,529	-	-	-	144,529
Total Expenditures	<u>780,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,017</u>
Excess (Deficiency) of Revenues Over Expenditures	(114,985)	1,209	9,900	3,332	(100,544)
Fund Balances – Beginning	<u>633,099</u>	<u>219,798</u>	<u>145,365</u>	<u>54,015</u>	<u>1,052,277</u>
Fund Balances – Ending	<u>\$ 518,114</u>	<u>\$ 221,007</u>	<u>\$ 155,265</u>	<u>\$ 57,347</u>	<u>\$ 951,733</u>

BARTON HILLS VILLAGE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(100,544)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenses exceeded depreciation expense in the current period.

Depreciation	(86,498)	
Capital Outlay Expense in Departmental Budgets	<u>216,949</u>	130,451

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Increase in Compensated Absences	(1,699)	
Principal Payment in Act 99 Installment Debt	<u>33,875</u>	<u>32,176</u>

Change in Net Position in governmental activities	\$	<u><u>62,083</u></u>
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BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Barton Hills Village, Michigan, was incorporated in December 14, 1973. The Village operates under an elected Village Board with Village Superintendent, Deputy Clerk and Assistant Treasurer appointed by the Board to carry out the policies that it establishes. Services are provided to approximately 294 residents in the areas of refuse removal, parks and recreation, road maintenance, and water.

The accounting methods and procedures adopted by the Barton Hills Village conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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 revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. 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*. Revenues are 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 revenues 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Governmental Funds

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 Public Improvement Reserve Fund is a capital projects fund used to account for the activity of major public improvements. The Major Street Fund is a special revenue fund used to account for gas and weight tax revenues returned by the State of Michigan restricted to streets designated by Michigan Department of Transportation as "major."

In addition, the Village reports on the following fund types:

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Village, as well as for its component units, are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by restricted fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at March 31, 2014.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	40
Buildings	30
Equipment	3-25

4. Compensated Absences

Under agreements with employee groups, individual employees have a vested right to receive payments for unused vacation, sick leaves and other benefits under formulas and conditions specified in the agreements. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the statement of net assets. This liability is composed of employees who retire and any unused vacation paid upon termination of employment.

5. Fund Equity

The Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

5. Fund Equity – Continued

that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable – Amounts that are not spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the Board for use for a specific purpose. Commitments are made and can be rescinded only via resolution for the Village Board of Trustees.

Assigned – Intent to spend resources on specific purposes expressed by the governing body.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

6. Cell Tower Lease Revenue

The Village leases its facilities to two cellular telephone companies, which generated \$72,006 in the current fiscal year. Expected lease revenues in the next three budget years were expected to exceed \$72,006, in each year. The leases are generally, self renewing leases with all executory costs paid by the lessee. The leases can be cancelled with certain notification occurring prior to the expiration of the lease.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

II STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Village Charter requires one regular council meeting per month. By the March meeting, a proposed operating budget must be submitted to the Village Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required prior to March 31.
3. On or before March 31, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund budget is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the activity level.
5. Budget appropriations lapse at year end.
6. The Village Board of Trustees may authorize supplemental appropriations (budget amendments) during the year. In 2014 budget amendments were made and are reflected in the financial statements.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of March 31, 2014.

2. Excess of Expenditures over Appropriations in Budgetary Funds

There were no over expenditures of budgetary accounts.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Village is permitted to invest in deposits with Michigan commercial banks, savings and loans, credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the Village's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of March 31, 2014, the Village's book balance of its deposits was \$935,808. The bank balance was \$949,067 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$ 949,067
Uninsured and Uncollateralized	-
Total	<u>\$ 949,067</u>

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Custodial Credit Risk – Continued

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not further limit its investment choices.

Interest Rate Risk. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Village's deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Deposits and Investments:		
Savings and Checking Accounts	\$391,028	Demand
Certificates of Deposit	\$558,039	109 Days

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts, pooled investments and certificates of deposit, all of which are not rated.

Concentration of Credit Risk. The Village's investment policy places no limit on the amount the Village may invest in any one issuer.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended March 31, 2014 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 312,856	\$ -	\$ -	\$ 312,856
Capital Assets, being depreciated:				
Building and Improvements	779,758	120,228	-	899,986
Machinery and Equipment	103,729	5,888	-	109,617
Vehicles	298,783	42,976	(25,190)	316,569
Office Equipment	5,810	-	-	5,810
Infrastructure	603,675	47,857	-	651,532
	<u>1,791,755</u>	<u>216,949</u>	<u>(25,190)</u>	<u>1,983,514</u>
Less: Accumulated Depreciation:				
Building and Improvements	(303,965)	(28,871)	-	(332,836)
Machinery and Equipment	(81,652)	(7,199)	-	(88,851)
Vehicles	(252,745)	(27,635)	25,190	(255,190)
Office Equipment	(5,810)	-	-	(5,810)
Infrastructure	(205,446)	(22,793)	-	(228,239)
	<u>(849,618)</u>	<u>(86,498)</u>	<u>25,190</u>	<u>(910,926)</u>
Governmental Activities				
Capital Assets, net	\$ <u>1,254,993</u>	\$ <u>130,451</u>	\$ <u>-</u>	\$ <u>1,385,444</u>

Depreciated expense was charged to functions of the Village as follows:

General Government	\$ 28,871
Public Safety	2,995
Public Works	54,632
	<u>\$ 86,498</u>

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

There are no interfund receivables and payables at March 31, 2014.

2. Interfund Transfers

There are no interfund transfers at March 31, 2014.

D. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2014:

	<u>Balance</u> <u>April 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2014</u>	<u>Balance</u> <u>Within 1 Year</u>
Gov. Activities:					
Act 99 Installment	\$ 212,855	\$ -	\$ 33,875	\$ 178,980	\$ 35,698
Comp. Absences	10,138	1,699	-	11,837	-
	<u>\$ 222,993</u>	<u>\$ 1,699</u>	<u>\$ 33,875</u>	<u>\$ 190,817</u>	<u>\$ 35,698</u>

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Changes in Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of March 31, 2014:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities: Act 99 Financing	1	4.85%	2019	178,980
				\$ <u><u>178,980</u></u>

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	35,698	7,894
2016	37,468	6,124
2017	39,326	4,265
2018	41,276	2,315
2019	25,212	412
	\$ <u><u>178,980</u></u>	\$ <u><u>21,010</u></u>

E. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on July 1 of the following year. The Village bills and collects its own property taxes which are accounted for in the General Fund. Village property tax revenues are recognized in the current year as revenue in accordance with the guidelines of the State of Michigan.

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. It would also appear to have unlimited taxing power to levy for certain contractual debt subject to constitutional limitations.

	<u>Per \$1,000 of State Equalized Value</u>
Authorized Rate (Pre-Rollback)	20.0000
Authorized Rate (Post-Rollback)	12.0400
Taxes Levied 2013 Roll	10.0000
Tax Margin	2.0400

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

F. Employee Retirement Systems and Plans

Defined Benefit Plan

1. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers employees of the Village hired prior to October 1, 2011. The plan is closed to new hires. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2013.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

2. Funding Policy

The obligation to contribute to and maintain the system for these employees was established as part of the Village's personnel policy. The Village is required to contribute at an actuarially determined rate; the current rate was a flat rate since the plan is closed to members.

3. Annual Pension Cost

During the fiscal year ended March 31, 2014, the Village's contributions totaling \$11,280 made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2012. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

F. Employee Retirement Systems and Plans – Continued

Defined Benefit Plan – Continued

3. Annual Pension Cost – Continued

level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Fiscal Year Ended	Valuation Date	<u>Trend Information</u>		
		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>March 31</u>	<u>Dec. 31</u>			
2012	2009	17,237	100%	-0-
2013	2011	12,372	100%	-0-
2014	2012	11,280	100%	-0-

4. Defined Contribution Plan

The Village provides pension benefits to employees not covered by the defined benefit plan through a defined contribution plan, effective January 1, 2012. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Village is required to contribute a minimum of 1% of pay, and will match up to 5% of pay. The plan expense in 2014 was \$3,474.

The Village's contributions for each employee are fully vested after 20 months of continuous service. Employees may contribute to the plan on a voluntary basis.

IV. OTHER INFORMATION

A. Insurance

The Village of Barton Hills is a member of the Michigan Municipal Liability and Property Pool for its general liability insurance coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The Village pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2014

IV. OTHER INFORMATION – Continued

A. Insurance – Continued

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Village of Barton Hills and the pools to which it belongs in any of the past three fiscal years.

B. Upcoming Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50, *Pension Disclosures*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and measuring and recognizing liabilities and expenses. GASB No. 68 will require employers with defined benefit pension plans to recognize their unfunded pension benefit obligation as a liability on the government-wide and proprietary financial statements. These new standards will result in additional disclosures and required supplemental information, and will be effective beginning with the Village's fiscal year ending March 31, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

BARTON HILLS VILLAGE
Required Supplemental Information
Defined Benefit Pensions Plan Trend Information (Unaudited)
March 31, 2014

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/99	327,551	363,773	36,222	90	144,789	25
12/31/00	351,713	379,829	28,116	93	116,177	24
12/31/01	372,905	410,819	37,914	91	121,100	31
12/31/02	377,496	439,663	62,167	86	125,662	49
12/31/03	398,503	475,356	76,853	84	131,066	59
12/31/04	418,498	512,483	93,985	82	131,827	71
12/31/05	439,406	548,958	109,552	80	136,239	80
12/31/06	469,895	580,943	111,048	80	138,876	80
12/31/07	503,407	599,207	95,800	84	137,984	69
12/31/08	522,584	659,456	136,872	92	148,113	93
12/31/09	548,997	660,170	111,173	83	151,078	74
12/31/10	576,959	659,813	82,854	87	140,942	59
12/31/11	699,460	739,294	39,834	95	160,792	25
12/31/12	712,746	793,841	81,095	90	105,149	77
12/31/13	714,578	818,615	104,037	87	109,818	95

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases Includes inflation at 4.5%	4.50-8.66%
Cost of living adjustments	None

BARTON HILLS VILLAGE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Current Taxes	\$ 525,000	\$ 524,300	\$ 537,229	\$ 12,929
State Shared Revenues	21,200	21,855	21,855	-
Water Services	6,000	8,700	6,148	(2,552)
Lease Revenue	72,006	72,006	72,006	-
Franchise Fee	8,155	8,825	8,825	-
Interest Earned	6,980	2,500	3,363	863
Interest & Penalties	4,000	3,100	2,595	(505)
Miscellaneous Revenues	1,480	7,180	13,011	5,831
Total Revenues	<u>644,821</u>	<u>648,466</u>	<u>665,032</u>	<u>16,566</u>
Expenditures:				
General Government:				
Election Department	1,000	-	-	-
Attorney	5,000	3,000	2,858	142
Clerk	17,314	17,000	16,454	546
Treasurer	42,080	41,900	41,201	699
Village Hall and Garage	136,216	137,391	136,487	904
Total General Government	<u>201,610</u>	<u>199,291</u>	<u>197,000</u>	<u>2,291</u>
Public Safety:				
Law Enforcement	200	100	100	-
Fire Department Services	1,620	1,620	1,277	343
Total Public Safety	<u>1,820</u>	<u>1,720</u>	<u>1,377</u>	<u>343</u>
Community Development – Planning	2,000	2,600	2,510	90
Highways and Streets	102,420	86,017	84,058	1,959
Parks	1,400	1,000	941	59
Sanitation	40,000	40,958	40,860	98
Water Department	57,620	56,020	47,217	8,803
Debt Service	44,364	43,700	43,592	108
Public Service – Wages	222,360	211,800	195,818	15,982
Public Service – Vehicle Costs	20,320	22,620	22,115	505
Other Functions:				
Fringe Benefits:				
Employee Housing Costs	28,736	29,951	29,534	417
Retirement	16,190	14,780	14,754	26
Hospitalization Insurance	70,080	62,050	62,008	42
Social Security	18,069	18,069	17,560	509
Total Fringe Benefits	<u>133,075</u>	<u>124,850</u>	<u>123,856</u>	<u>994</u>
Insurance and Bonds	23,938	22,570	20,673	1,897
Total Other Functions	<u>157,013</u>	<u>147,420</u>	<u>144,529</u>	<u>2,891</u>
Total Expenditures	<u>850,927</u>	<u>813,146</u>	<u>780,017</u>	<u>32,624</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(206,106)</u>	\$ <u>(164,680)</u>	(114,985)	\$ <u>49,190</u>
Fund Balance – April 1			<u>633,099</u>	
Fund Balance – March 31			<u>\$ 518,114</u>	

BARTON HILLS VILLAGE
Public Improvement Reserve Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For The Year Ended March 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Interest Earned	\$ 1,000	\$ 1,000	\$ 1,209	\$ 209
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Excess (Deficiency) of Revenues and other Financing Sources Over Expenditures	<u>\$ 1,000</u>	<u>\$ 1,000</u>	1,209	<u>\$ 209</u>
Fund Balance – April 1			<u>219,798</u>	
Fund Balance – March 31			<u>\$ 221,007</u>	

BARTON HILLS VILLAGE
Major Street Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For The Year Ended March 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
State Shared Revenues	\$ 9,000	\$ 9,000	\$ 9,051	\$ 51
Interest Earned	<u>900</u>	<u>700</u>	<u>849</u>	<u>149</u>
Total Revenues	<u>9,900</u>	<u>9,700</u>	<u>9,900</u>	<u>200</u>
Expenditures:				
Highways and Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,900</u>	<u>\$ 9,700</u>	9,900	<u>\$ 200</u>
Fund Balance – April 1			<u>145,365</u>	
Fund Balance – March 31			<u>\$ 155,265</u>	

PSLZ LLP

Certified Public Accountants

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Deborah M. Cox, C.P.A.
Robert J. Sheu, C.P.A.

August 19, 2014

To the Village President and Council
Village of Barton Hills
Washtenaw County, Michigan

We have audited the financial statements of the Village of Barton Hills for the year ended March 31, 2014, and have issued our report thereon dated August 19, 2014. Professional standards require that we provide 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 May 2, 2014 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 2, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible 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 the Village of Barton Hills 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 2014. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

- Estimates of the allowance for doubtful accounts for property tax collections are based on historical collection statistics.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to those estimates discussed in the section above.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements during our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 5, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village'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

Village President and Council
Village of Barton Hills
August 19, 2014
Page 3

relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

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

Sincerely,

PSLZ, LLP

PSLZ, LLP
Certified Public Accountants