

BARTON HILLS VILLAGE
Washtenaw County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
March 31, 2009

BARTON HILLS VILLAGE
For the Year Ended March 31, 2009

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Independent Auditor's Report

February 15, 2010

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

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, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Barton Hills Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

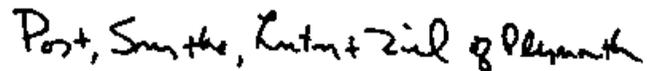
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 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 as of March 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the defined benefit pension plan trend information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barton Hills Village's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary 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.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz and Ziel of Plymouth". The signature is written in a cursive, slightly slanted style.

Post, Smythe, Lutz and Ziel of Plymouth 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, 2009.

Financial Highlights

- The assets of Barton Hills Village exceeded its liabilities at the close of the most recent fiscal year by \$1,885,695 (*net assets*). Of this amount, \$1,039,477 (*unrestricted net assets*) 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 \$1,053,592, a decrease of \$53,495 in comparison with the prior year. 98% of this total amount, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$668,781, or 62 percent of total general fund expenditures.
- Barton Hills Village's total debt increased by \$330,099 during the current fiscal year, due to the issuance of \$340,000 in installment notes payable (Act 99), net of repayments.

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 assets* presents information on all of Barton Hills Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and Public Improvement Reserve 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 public improvement reserve special revenue fund to demonstrate compliance with this budget.

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 -25 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$1,885,695 at the close of the most recent fiscal year.

A significant portion of Barton Hills Village's net assets (45 percent) reflects its investment in capital assets (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	
	2009	2008
Current and Other Assets	\$ 1,078,034	\$ 1,121,605
Capital Assets	1,176,317	731,365
Total Assets	<u>2,254,351</u>	<u>1,852,970</u>
Long-term Liabilities	344,214	14,115
Other Liabilities	24,442	14,518
Total Liabilities	<u>368,656</u>	<u>28,633</u>
Net Assets:		
Invested in Capital Assets net of related debt	846,218	731,365
Unrestricted	1,039,477	1,092,972
Total Net Assets	<u>\$ 1,885,695</u>	<u>\$ 1,824,337</u>

The remaining, and largest portion of *unrestricted net assets* (\$1,039,477) 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 assets. The same situation held true for the prior fiscal year.

The government's net assets increased by \$61,358 during the current fiscal year as shown in the table below:

	Governmental	
	2009	2008
Program Revenues:		
Charges for Services	\$ 98,768	\$ 105,657
Operating Grants & Contributions	12,548	13,011
General Revenues:		
Property Taxes	527,269	567,807
State Shared Revenues	24,686	25,270
Unrestricted Investment Earnings	23,662	46,306
Franchise Fees	6,412	25,956
Total Revenues	<u>693,345</u>	<u>784,007</u>
Program Expenses		
General Government	82,756	93,848
Public Safety	50,953	47,652
Public Works	288,623	320,046
Recreation, Culture, Health & Welfare	31,475	16,498
Other	178,180	177,291
Total Expenses	<u>631,987</u>	<u>655,335</u>
Change in Net Assets	<u>\$ 61,358</u>	<u>\$ 128,672</u>

Governmental activities. Governmental activities increased Barton Hills Village's net assets by \$61,358 due to the fact that revenues exceeded expenses for current activities, and no significant non-recurring costs were incurred.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

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, *unreserved 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 \$1,053,592, a decrease of \$53,495 in comparison with the prior year. All of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Barton Hills Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$668,781, and the

total fund balance was \$692,084. Unreserved fund balance represents 62 percent of total general fund expenditures.

The fund balance of Barton Hills Village's general fund decreased by \$73,304 during the current fiscal year, due primarily to capital expenditures in excess of proceeds of long term debt issued to partially pay for the new Village Hall.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended expenditure budget was \$54,699 (reduction) which is a little over 6% of the original appropriation.

Capital Asset and Debt Administration

Capital assets. Barton Hills Village's investment in capital assets for its governmental activities as of March 31, 2009, amounts to \$1,176,317 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water improvements, and equipment. Significant capital events included completion and occupancy of the new Village Hall (\$435,123), and acquisition of a public safety vehicle (\$23,949).

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 \$344,214, which consisted of accumulated unpaid sick and vacation pay, and 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 the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2010 fiscal year. Barton Hills Village budgeted for a small decrease in state shared revenue.

These factors were considered in preparing Barton Hills Village's budget for the 2009/2010 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 Assets
March 31, 2009

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	1,041,772
Receivables (net of allowance for uncollectibles):		
Accounts		12,959
Prepaid Expenditures		23,303
Capital Assets (Net of Accumulated Depreciation)		<u>1,176,317</u>
Total Assets		<u><u>2,254,351</u></u>
<u>LIABILITIES</u>		
Accounts Payable		8,757
Deferred Revenue		2,000
Payroll Taxes Payable		13,685
Noncurrent Liabilities:		
Compensated Absences		14,115
Installment Note Payable-Short Term		26,718
Installment Note Payable-Long Term		<u>303,381</u>
Total Liabilities		<u><u>368,656</u></u>
<u>NET ASSETS</u>		
Invested in Capital Assets		846,218
Unrestricted		<u>1,039,477</u>
Total Net Assets	\$	<u><u><u>1,885,695</u></u></u>

BARTON HILLS VILLAGE
Statement of Activities
For the Year Ended March 31, 2009

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Primary Government:	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 82,756	\$ 90,945	\$ -	\$ 8,189
Public Safety	50,953	-	-	(50,953)
Public Works	288,623	7,823	12,548	(268,252)
Recreation and Cultural	31,475	-	-	(31,475)
Other	168,168	-	-	(168,168)
Interest on Long Term Debt	10,012	-	-	(10,012)
Total Governmental Activities	\$ 631,987	\$ 98,768	\$ 12,548	(520,671)

General Revenues:	
Property Taxes	527,269
State Shared Revenue	24,686
Franchise Fees	6,412
Unrestricted Investment Earnings	23,662
Total General Revenues	582,029
Change in Net Assets	61,358
Net Assets - Beginning	1,824,337
Net Assets - Ending	\$ 1,885,695

BARTON HILLS VILLAGE
Balance Sheet
Governmental Funds
March 31, 2009

	<u>General</u>	<u>Public Improvement Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 680,264	\$ 209,164	\$ 152,344	\$ 1,041,772
Receivables (net of allowance for uncollectibles):				
Accounts	12,959	-	-	12,959
Prepaid Expenditures	<u>23,303</u>	<u>-</u>	<u>-</u>	<u>23,303</u>
Total Assets	<u>\$ 716,526</u>	<u>\$ 209,164</u>	<u>\$ 152,344</u>	<u>\$ 1,078,034</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 8,757	\$ -	\$ -	\$ 8,757
Deferred Revenue	2,000	-	-	2,000
Payroll Taxes Payable	<u>13,685</u>	<u>-</u>	<u>-</u>	<u>13,685</u>
Total Liabilities	<u>24,442</u>	<u>-</u>	<u>-</u>	<u>24,442</u>
Fund Balances:				
Reserved for Prepaid Insurance	23,303	-	-	23,303
Unreserved for General Fund	668,781	-	-	668,781
Unreserved for Special Revenue Funds	-	209,164	152,344	361,508
Total Fund Balance	<u>692,084</u>	<u>209,164</u>	<u>152,344</u>	<u>1,053,592</u>
Total Liabilities and Fund Balances	<u>\$ 716,526</u>	<u>\$ 209,164</u>	<u>\$ 152,344</u>	

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

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

1,176,317

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

(344,214)

Net Assets of Governmental Activities

\$ 1,885,695

BARTON HILLS VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2009

	<u>General</u>	<u>Public Improvement Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Current Taxes	\$ 524,371	\$ -	\$ -	\$ 524,371
State Shared Revenues	24,686	-	12,548	37,234
Water Services	7,823	-	-	7,823
Lease Revenue	88,804	-	-	88,804
Franchise Fee	6,412	-	-	6,412
Interest Income	16,401	4,959	2,302	23,662
Interest & Penalties	2,898	-	-	2,898
Miscellaneous Revenues	2,141	-	-	2,141
Total Revenues	<u>673,536</u>	<u>4,959</u>	<u>14,850</u>	<u>693,345</u>
Expenditures				
Current:				
General Government	509,251	-	-	509,251
Public Safety	71,041	-	-	71,041
Planning and Zoning	6,742	-	-	6,742
Highways and Streets	192,924	-	-	192,924
Parks	31,475	-	-	31,475
Sanitation	36,875	-	-	36,875
Water Department	58,631	-	-	58,631
Public Service-Unallocated Vehicle Costs	(1,438)	-	-	(1,438)
Debt Service	19,913	-	-	19,913
Other	161,426	-	-	161,426
Total Expenditures	<u>1,086,840</u>	<u>-</u>	<u>-</u>	<u>1,086,840</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(413,304)</u>	<u>4,959</u>	<u>14,850</u>	<u>(393,495)</u>
Other Financing Sources				
Proceeds of Long Term Debt	<u>340,000</u>	<u>-</u>	<u>-</u>	<u>340,000</u>
Net Change in Fund Balances	(73,304)	4,959	14,850	(53,495)
Fund Balances - Beginning	<u>765,388</u>	<u>204,205</u>	<u>137,494</u>	<u>1,107,087</u>
Fund Balances - Ending	<u>\$ 692,084</u>	<u>\$ 209,164</u>	<u>\$ 152,344</u>	<u>\$ 1,053,592</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, 2009

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

Net change in fund balances - total governmental funds	\$	(53,495)
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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 expense exceeded depreciation expense in the current period.		444,952
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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 assets. 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.		(330,099)
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Change in net assets in governmental activities	\$	<u>61,358</u>
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BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Barton Hills Village was incorporated on December 14, 1973. The Village government operates and maintains the water system and streets, provides police protection and certain other services formerly provided by Barton Hills Maintenance Corporation together with certain services previously provided by Ann Arbor Township.

The following organization is not a part of the Village and is excluded from the accompanying financial statements for the reasons stated.

Barton Hills Maintenance Corporation

- Financed primarily through rental fees
- Governing Board is elected by Village residents based upon stock ownership
- Village has no obligation to fund deficits of the Corporation, nor is it responsible for approving the operating budget

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) 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, 2009

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 special revenue fund used to account for the activity of major public improvements.

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, 2009

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 Assets 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 a fund balance reserve account 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, 2009.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets 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. The total liability at March 31, 2009 is \$14,115.

5. 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 a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$344,214 difference are as follows:

Act 99 Installment Note Payable	\$ 330,099
Compensated Absences Payable	<u>14,115</u>
	<u>\$ 344,214</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$444,952 difference are as follows:

Capital Outlay (included in Departmental expenditures)	\$ 482,784
Depreciation Expense	<u>(37,832)</u>
	<u>\$ 444,952</u>

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

III. 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 Council 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 Council may authorize supplemental appropriations (budget amendments) during the year. In 2009 budget amendments were made and are reflected in the financial statements.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

III. 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, 2009.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the activity level. Expenditures in excess of budget appropriations are as follows:

	Final Budget	Actual	Excess of Expenditures over Appropriations
Attorney	\$ 10,000	\$ 14,087	\$ 4,087
Clerk	17,241	17,779	538
Treasurer	37,468	38,328	860
Community Development	-	6,742	6,742
Village Hall and Grounds	175,500	438,091	262,591
Law Enforcement	40,900	66,485	25,585
Sanitation	33,800	36,875	3,075
Social Security	15,000	15,222	222
Property Lease	28,542	28,994	452
Debt Service	-	19,913	19,913

IV. 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 and 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, 2009, the Village's book

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Custodial Credit Risk – Continued

balance of its deposits was \$1,041,772. The bank balance was \$1,076,686 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$ 931,892
Uninsured and Uncollateralized	<u>144,794</u>
Total	<u>\$1,076,686</u>

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	\$454,258	Demand
Certificates of Deposit	\$622,428	163 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, 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. The Village does not have more than 5% of its total investment in a single issuer.

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended March 31, 2009 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	325,783	435,123	-	760,906
Machinery and Equipment	85,678	10,282	-	95,960
Vehicles	190,008	23,949	-	213,957
Office Equipment	5,810	-	-	5,810
Infrastructure	375,577	13,430	-	389,007
	<u>982,856</u>	<u>482,784</u>	<u>-</u>	<u>1,465,640</u>
Less: Accumulated Depreciation:				
Building and Improvements	(199,187)	(12,374)	-	(211,561)
Machinery and Equipment	(57,039)	(3,659)	-	(60,698)
Vehicles	(158,727)	(17,781)	-	(176,508)
Office Equipment	(4,130)	(583)	-	(4,713)
Infrastructure	(145,264)	(3,435)	-	(148,699)
	<u>(564,347)</u>	<u>(37,832)</u>	<u>-</u>	<u>(602,179)</u>
Governmental Activities Capital Assets, net	\$ <u>731,365</u>	\$ <u>444,952</u>	\$ <u>-</u>	\$ <u>1,176,317</u>

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

General Government	\$ 8,628
Public Safety	3,861
Public Works	<u>25,343</u>
	<u>\$ 37,832</u>

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

IV. 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, 2009.

2. Interfund Transfers

There are no interfund transfers at March 31, 2009.

D. Lease-Barton Hills Maintenance Corporation

Effective December 15, 1973, the Village entered into a lease covering the roads, paths, lanes, walkways, easements, water supply system, parks and certain other assets owned by Barton Hills Maintenance Corporation. The lease was renewed effective May, 1995 for a period of five years and automatically renewed thereafter until a revised agreement is prepared and executed by the parties as a replacement. Payments under the lease terms aggregated \$28,542 during the year ended March 31, 2009 and was provided from the General Fund.

E. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2009:

	Balance <u>April 1,</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>March 31,</u>	Balance <u>Within 1 Year</u>
Gov. Activities:					
Act 99 Installment	\$ -	\$ 340,000	\$ 9,901	\$ 330,099	\$ 26,718
Comp. Absences	<u>14,115</u>	<u>-</u>	<u>-</u>	<u>14,115</u>	<u>-</u>
	<u>\$ 14,115</u>	<u>\$ 340,000</u>	<u>\$ 9,901</u>	<u>\$ 344,214</u>	<u>\$ 26,718</u>

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. 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, 2009:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
Act 99 Financing	1	7.00%	2018	\$ <u><u>330,099</u></u>

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 26,718	\$ 21,073
2011	28,544	19,247
2012	30,494	17,297
2013	32,577	15,214
2014	34,802	12,989
2015-2018	176,964	26,637
	\$ <u><u>330,099</u></u>	\$ <u><u>112,457</u></u>

F. 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 2008 Roll	10.0000
Tax Margin	2.0400

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

G. 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 all full time employees of the Village. 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, 2008.

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 of 8.83% was a percentage of annual compensation at December 31, 2007.

3. Annual Pension Cost

During the fiscal year ended March 31, 2009, the Village's contributions totaling \$13,023 made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2007. 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 level percentage of payroll contribution (from

BARTON HILLS VILLAGE
Notes to Financial Statements
March 31, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

G. Employee Retirement Systems and Plans – Continued

Defined Benefit Plan – Continued

3. Annual Pension Cost – Continued

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.

<u>Trend Information</u>				
Fiscal Year Ended	Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>March 31,</u>	<u>Dec. 31</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2007	2005	\$ 12,074	100%	\$ -0-
2008	2006	13,613	100%	-0-
2009	2007	13,023	100%	-0-

V. OTHER INFORMATION

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.

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.

The Village has evaluated events and transactions for potential recognition or disclosure through February 15, 2010, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BARTON HILLS VILLAGE
Required Supplemental Information
Defined Benefit Pensions Plan Trend Information (Unaudited)
March 31, 2009

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>
12/31/97	\$274,191	\$233,633	\$(50,558)	123%	\$128,769	0%
12/31/98	296,413	292,891	(3,521)	101	108,810	0
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	509,280	659,456	136,872	92	148,113	93

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2008, 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, 2009

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Current Taxes	\$ 524,371	\$ 524,371	\$ 524,371	\$ -
State Shared Revenues	25,000	25,000	24,686	(314)
Water Services	9,000	9,000	7,823	(1,177)
Lease Revenue	88,804	88,804	88,804	-
Franchise Fee	6,000	6,000	6,412	412
Interest Earned	27,000	27,000	16,401	(10,599)
Interest & Penalties	400	400	2,898	2,498
Miscellaneous Revenues	6,480	6,480	2,141	(4,339)
Total Revenues	<u>687,055</u>	<u>687,055</u>	<u>673,536</u>	<u>(13,519)</u>
Expenditures:				
General Government:				
President	6,000	6,000	936	5,064
Election Department	800	800	30	770
Attorney	10,000	10,000	14,087	(4,087)
Clerk	17,241	17,241	17,779	(538)
Treasurer	37,468	37,468	38,328	(860)
Village Hall and Grounds	175,500	175,500	438,091	(262,591)
Total General Government	<u>247,009</u>	<u>247,009</u>	<u>509,251</u>	<u>(262,242)</u>
Public Safety:				
Law Enforcement	40,900	40,900	66,485	(25,585)
Fire Department Services	5,350	5,350	4,556	794
Total Public Safety	<u>46,250</u>	<u>46,250</u>	<u>71,041</u>	<u>(24,791)</u>
Community Development-Planning	10,000	-	6,742	(6,742)
Highways and Streets	204,100	204,100	192,924	11,176
Parks	40,800	40,800	31,475	9,325
Sanitation	33,800	33,800	36,875	(3,075)
Water Department	61,200	61,200	58,631	2,569
Debt Service	22,699	-	19,913	(19,913)
Public Service-Unallocated Vehicle Costs	-	(22,000)	(1,438)	(20,562)
Other Functions:				
Fringe Benefits:				
Employee Housing Costs	16,400	16,400	16,203	197
Retirement	14,300	14,300	13,423	877
Hospitalization Insurance	55,000	55,000	50,412	4,588
Social Security	15,000	15,000	15,222	(222)
Total Fringe Benefits	100,700	100,700	95,260	5,440
Insurance and Bonds	59,740	59,740	37,172	22,568
Property Lease	28,542	28,542	28,994	(452)
Total Other Functions	<u>188,982</u>	<u>188,982</u>	<u>161,426</u>	<u>27,556</u>
Total Expenditures	<u>854,840</u>	<u>800,141</u>	<u>1,086,840</u>	<u>(286,699)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(167,785)</u>	<u>(113,086)</u>	<u>(413,304)</u>	<u>(300,218)</u>
Other Financing Sources (Uses):				
Proceeds of Long Term Debt	-	-	340,000	340,000
Operating Transfers Out	(25,000)	(25,000)	-	25,000
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>340,000</u>	<u>365,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ (192,785)</u>	<u>\$ (138,086)</u>	<u>(73,304)</u>	<u>\$ 64,782</u>
Fund Balance - April 1			<u>765,388</u>	
Fund Balance - March 31		27	<u>\$ 692,084</u>	

The notes to the financial statements are an integral part of this statement.

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Interest Earned	\$ 5,000	\$ 5,000	\$ 4,959	\$ (41)
Other Financing Sources (Uses):				
Operating Transfers In	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Excess (Deficiency) of Revenues and other Financing Sources over Expenditures	<u>\$ 30,000</u>	<u>\$ 30,000</u>	4,959	<u>\$ (25,041)</u>
Fund Balance - April 1			<u>204,205</u>	
Fund Balance - March 31			<u>\$ 209,164</u>	

OTHER SUPPLEMENTARY INFORMATION

BARTON HILLS VILLAGE
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2009

	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u>112,741</u>	\$ <u>39,603</u>	\$ <u>152,344</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund Balance:			
Unreserved	\$ <u>112,741</u>	\$ <u>39,603</u>	\$ <u>152,344</u>

BARTON HILLS VILLAGE
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2009

	<u>Major Street Special Revenue</u>	<u>Local Street Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues</u>			
Intergovernmental	\$ 9,411	\$ 3,137	\$ 12,548
Interest	<u>1,691</u>	<u>611</u>	<u>2,302</u>
Total Revenues	<u>11,102</u>	<u>3,748</u>	<u>14,850</u>
<u>Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	11,102	3,748	14,850
Fund Balance, April 1	<u>101,639</u>	<u>35,855</u>	<u>137,494</u>
Fund Balance, March 31	<u>\$ 112,741</u>	<u>\$ 39,603</u>	<u>\$ 152,344</u>

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February 15, 2010

Board of Trustees
Barton Hills Village
Ann Arbor, Michigan

In planning and performing our audit of the financial statements of Barton Hills Village as of and for the year ended March 31, 2009, in accordance with U.S. generally accepted auditing standards, we considered Barton Hills Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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

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

Preparation of Financial Statements

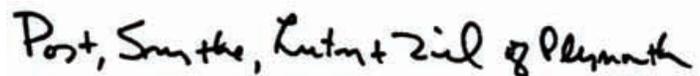
Michigan governments are required to prepare financial statement in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Village rests with the Village's management. The preparation of the financial statements in accordance with GAAP requires internal controls over recording, processing and summarizing accounting data, and reporting government-wide and fund financial statements, including the related note disclosures.

It is common for small governments to rely on the independent auditors to assist in the preparation of the financial statements as well as the notes to the financials as part of the external reporting process-the Village believes that this is the most cost effective approach to meeting the State's required financial reports.

However, we are required to report that the Village does not have procedures in place to prepare financial statements and record transactions in accordance with U.S. Generally Accepted Accounting Principles, since independent auditors cannot be part of the Village's system of internal controls.

This communication is intended solely for the information and use of management, the Board of Trustees of the Barton Hills Village, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Post, Smythe, Lutz + Ziel of Plymouth". The signature is written in a cursive, slightly slanted style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

POST, SMYTHE, LUTZ and ZIEL

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February 15, 2010

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, 2009, and have issued our report thereon dated February 15, 2010. 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 January 20, 2010 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 August 13, 2009.

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 2009. 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

Audit fieldwork was delayed until January, 2010 as accounting records had to be reconstructed due to the computer conversion, and other difficulties. In addition, we made 19 adjustments to convert the books from cash basis to modified accrual, and other correcting entries.

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 February 15, 2010.

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

Village President and Council
Village of Barton Hills
February 15, 2010
Page 3

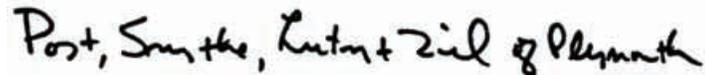
consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

A handwritten signature in black ink that reads "Post, Smythe, Lutz + Ziel of Plymouth". The signature is written in a cursive, slightly slanted style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants