

**Township of Arlington**  
Financial Statements  
For the Year Ended March 31, 2014

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Township of Arlington  
Van Buren County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arlington, Van Buren County, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township of Arlington'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 the Township of Arlington, Van Buren, County, Michigan, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof 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 and budgetary comparison information on pages 3 through 6 and 21 through 24 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Arlington's basic financial statements. The combining non-major and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hastings, Michigan  
September 22, 2014

*Walker, Fiske & Shelden PLLC*

## Management's Discussion and Analysis

As the Township Board of the Township of Arlington, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Township of Arlington for the fiscal year ended March 31, 2014. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Township. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 7.

### Financial Highlights

- The assets of Township of Arlington exceeded its liabilities at the close of the most recent fiscal year by \$1,278,430 (net position) compared to \$1,153,400 last year. Of this amount, \$988,058 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$125,030 compared to an increase of \$15,568 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,202,903, an increase of \$129,555 compared to an ending fund balance of \$1,073,348 the previous year, an increase of \$8,984.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$988,058 or 631.88% of total general fund expenditures. In 2013, the ending unassigned fund balance for the general fund was \$906,554. This demonstrates the Township's fiscal discipline and places the Township in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

### Overview of the Financial Statements

Township of Arlington's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 the Township's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Township'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 Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township'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., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Township 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 the Township include legislative, general government, public safety, public works, health and welfare, community and economic development, recreation and culture and other.

The government-wide financial statements can be found on pages 7-8 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. Township of Arlington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: government funds and fiduciary 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.

Township of Arlington maintains five 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, road fund, and fire fund which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

The fiduciary fund financial statements can be found on page 13 of this report.

**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 14-20 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Township adopts an annual budget for its general fund, emergency service fund and debt service fund. Within the required supplementary information, a budget comparison statement has been provided for the general, road and fire funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 21-24 of this report.

Combining non-major statements and schedules are presented immediately following the required supplementary information on budgets on pages 25-26.

#### **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 Township of Arlington, assets exceeded liabilities by \$1,278,430 at the close of the most recent fiscal year compared to \$1,153,400 last year.

A portion of the Township's net position (77.28%) reflects its unrestricted net position (\$988,058), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net position (16.80%) reflects restricted net position (\$214,845), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Township's net position (5.92%) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$75,527). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Township of Arlington's Condensed Financial Data**

	<b>Audited Governmental Activities 3/31/2014</b>	<b>Unaudited Governmental Activities 3/31/2013</b>
Current and Other Assets	\$ 1,227,262	\$ 1,100,307
Capital Assets	<u>75,527</u>	<u>80,052</u>
<b>Total Assets</b>	<u>1,302,789</u>	<u>1,180,359</u>
Short-Term Liabilities	<u>24,359</u>	<u>26,959</u>
<b>Total Liabilities</b>	<u>24,359</u>	<u>26,959</u>
Net Position		
Invested in Capital Assets, Net of related debt	75,527	80,052
Restricted	214,845	166,795
Unrestricted	<u>988,058</u>	<u>906,553</u>
<b>Total Net Position</b>	<u>\$ 1,278,430</u>	<u>\$ 1,153,400</u>
Program Expenses		
Governmental Activities		
Legislative	29,520	31,182
General Government	94,865	105,157
Public Safety	144,034	142,625
Public Works	76,615	174,304
Health and Welfare	32,347	31,528
Community and Economic Development	15,202	15,761
Other	<u>-</u>	<u>646</u>
<b>Total Expenses</b>	<u>392,583</u>	<u>501,203</u>
Program Revenues		
Charges for Services	\$ 12,240	\$ 6,362
General Revenues		
Property Taxes	339,003	336,484
State Grants	158,144	154,440
Interest and Rents	3,242	3,056
Other Revenue	<u>4,984</u>	<u>5,299</u>
<b>Total Revenue</b>	<u>517,613</u>	<u>505,641</u>
Change in Net Position	<u>\$ 125,030</u>	<u>\$ 4,438</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities.

**Governmental activities.** Governmental activities increased the Township's net position by \$125,030 mainly due to a decrease in the amount spent on road projects and controlled expenses by the Township board.

For the most part, expenses in the current year were down significantly compared to the prior year due to decreased road expenses. Revenues were up slightly from the prior year due to increased state shared revenue and increased taxes.

### **Financial Analysis of the Township's Funds**

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,202,903 an increase of \$129,555 from the prior year. Last year, the Township's governmental funds combined ending fund balance was \$1,073,348, an increase of \$8,984 in comparison with the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$988,058 and the total fund balance was \$988,058. Unassigned fund balance represents 631.88% of the total general fund expenditures.

The fund balance of the Township's general fund increased \$81,504 during the current fiscal year, compared to an increase of \$64,844 in the prior year. This is mainly due to controlled expenses by the Township board.

### **General Fund Budgetary Highlights**

Only minor adjustments were made between the original budget and the final amended general fund budget.

During the year, however, revenues were greater than budgetary estimates, and expenditures were less than budgetary estimates for the general fund.

### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$75,527 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, and equipment.

No major capital asset events during the current fiscal year. Details of the Township's capital assets are continued in the notes to the financial statements on page 19.

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

Budget assumptions: The taxable value of the Township hasn't had any dramatic dips or rises and the Township has been able to continue to building its general fund balance while not sacrificing any services to its residents. A large portion of the current and next two year's road fund dollars will be used to totally reconstruct a mile of gravel road to pavement including right of way tree removal and drainage ditches. Also required will be annual sealcoat maintenance on current local paved roads as well as gravel replacement on existing gravel roads as recommended by the Van Buren County Road Commission. The Township has had its share of bank foreclosures but on the bright side there has recently been new home construction. Since it has been several years since the Township has seen very much new construction the Township board remains optimistic that it will continue.

### **Requests for Information**

This financial report is designed to provide a general overview of Township of Arlington's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Township of Arlington, 48030 CR 673, Lawrence, MI 49064.



**TOWNSHIP OF ARLINGTON**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**March 31, 2014**

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	<b>Primary Government</b>	
<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 948,801	\$ 948,801
Receivables (Net)		
Taxes	42,194	42,194
Due From State	23,467	23,467
Due from Other Funds	8,395	8,395
Restricted Assets	204,405	204,405
Capital Assets (Net of Accumulated Depreciation)	75,527	75,527
 Total Assets	 1,302,789	 1,302,789
 <b>LIABILITIES</b>		
Accounts Payable	17,511	17,511
Due to Other Funds	6,848	6,848
 Total Liabilities	 24,359	 24,359
 <b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	75,527	75,527
Restricted for Roads	210,289	210,289
Restricted for Fire Services	4,556	4,556
Unrestricted	988,058	988,058
 Total Net Position	 \$ 1,278,430	 \$ 1,278,430

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Year Ended March 31, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Total</u>
<b>Primary Government</b>				
Governmental Activities				
Legislative	\$ 29,520	\$ -	\$ (29,520)	\$ (29,520)
General Government	94,865	3,472	(91,393)	(91,393)
Public Safety	144,034	7,498	(136,536)	(136,536)
Public Works	76,615	-	(76,615)	(76,615)
Health and Welfare	32,347	-	(32,347)	(32,347)
Community and Economic Development	15,202	1,270	(13,932)	(13,932)
Total Governmental Activities	<u>392,583</u>	<u>12,240</u>	<u>(380,343)</u>	<u>(380,343)</u>
Total Primary Government	<u>\$ 392,583</u>	<u>\$ 12,240</u>	<u>(380,343)</u>	<u>(380,343)</u>
General Revenues				
Taxes and Penalties			339,003	339,003
State Grants			158,144	158,144
Interest and Rentals			3,242	3,242
Other Revenue			4,984	4,984
Total General Revenue			<u>505,373</u>	<u>505,373</u>
Change in Net Position			125,030	125,030
Net Position-Beginning			<u>1,153,400</u>	<u>1,153,400</u>
Net Position-Ending			<u>\$ 1,278,430</u>	<u>\$ 1,278,430</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**March 31, 2014**

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<b>ASSETS</b>	<b>General</b>	<b>Roads</b>	<b>Fire</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental</b>
Cash and Cash Equivalents	\$ 948,801	\$ 203,873	\$ 532	\$ -	\$ 1,153,206
Receivables					
Taxes	7,395	13,264	17,604	3,931	42,194
Due From State	23,467	-	-	-	23,467
Due From Other Funds	<u>8,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,395</u>
 Total Assets	 <u>\$ 988,058</u>	 <u>\$ 217,137</u>	 <u>\$ 18,136</u>	 <u>\$ 3,931</u>	 <u>\$ 1,227,262</u>
 <b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ 13,580	\$ 3,931	\$ 17,511
Due To Other Funds	<u>-</u>	<u>6,848</u>	<u>-</u>	<u>-</u>	<u>6,848</u>
 Total Liabilities	 <u>-</u>	 <u>6,848</u>	 <u>13,580</u>	 <u>3,931</u>	 <u>24,359</u>
 <b>FUND BALANCE</b>					
Restricted	-	210,289	4,556	-	214,845
Unassigned	<u>988,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>988,058</u>
 Total Fund Balances	 <u>988,058</u>	 <u>210,289</u>	 <u>4,556</u>	 <u>-</u>	 <u>1,202,903</u>
 Total Liabilities and Fund Balance	 <u>\$ 988,058</u>	 <u>\$ 217,137</u>	 <u>\$ 18,136</u>	 <u>\$ 3,931</u>	 <u>\$ 1,227,262</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**March 31, 2014**

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<b>Governmental Fund Balance - March 31, 2014</b>		<b>\$ 1,202,903</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 148,914	
Less: accumulated depreciation	<u>(73,387)</u>	<u>75,527</u>
Net Position of Governmental Activities		<u>\$1,278,430</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended March 31, 2014**

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental</u>
<b>Revenues</b>					
Taxes and Penalties	\$ 63,751	\$ 107,139	\$ 136,412	\$ 31,701	\$ 339,003
Licenses and Permits	7,498	-	-	-	7,498
State Grants	158,144	-	-	-	158,144
Charges for Services	4,742	-	-	-	4,742
Interest and Rentals	2,912	312	18	-	3,242
Other Revenue	<u>1,470</u>	<u>3,514</u>	<u>-</u>	<u>-</u>	<u>4,984</u>
<b>Total Revenues</b>	<u>238,517</u>	<u>110,965</u>	<u>136,430</u>	<u>31,701</u>	<u>517,613</u>
<b>Expenditures</b>					
Legislative	29,520	-	-	-	29,520
General Government	90,340	-	-	-	90,340
Public Safety	7,498	-	136,536	-	144,034
Public Works	13,807	62,808	-	-	76,615
Health and Welfare	-	-	-	32,347	32,347
Community and Economic Development	<u>15,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,202</u>
<b>Total Expenditures</b>	<u>156,367</u>	<u>62,808</u>	<u>136,536</u>	<u>32,347</u>	<u>388,058</u>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	<u>82,150</u>	<u>48,157</u>	<u>(106)</u>	<u>(646)</u>	<u>129,555</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfer In	-	-	-	646	646
Operating Transfer Out	<u>(646)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(646)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(646)</u>	<u>-</u>	<u>-</u>	<u>646</u>	<u>-</u>
<b>Excess of Revenues and Other Sources Over (Under)</b>					
Expenditures and Other Uses	81,504	48,157	(106)	-	129,555
<b>Fund Balance-April 1, 2013</b>	<u>906,554</u>	<u>162,132</u>	<u>4,662</u>	<u>-</u>	<u>1,073,348</u>
<b>Fund Balance-March 31, 2014</b>	<u>\$ 988,058</u>	<u>\$ 210,289</u>	<u>\$ 4,556</u>	<u>\$ -</u>	<u>\$ 1,202,903</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2014**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 129,555</b>
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives

Expenditures for capital assets	\$ -	
Less: Current year depreciation	<u>4,525</u>	<u>(4,525)</u>

Change in Net Position of Governmental Activities	<u>\$ 125,030</u>
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**TOWNSHIP OF ARLINGTON**  
**FIDUCIARY FUNDS STATEMENT OF NET POSTION**  
**March 31, 2014**

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	<b>Tax Fund</b>
<b>ASSETS</b>	
<u>Cash and Cash Equivalents</u>	<u>\$ 1,547</u>
Total Assets	<u>1,547</u>
<b>LIABILITIES</b>	
<u>Due to Other Funds</u>	<u>1,547</u>
Total Liabilities	<u>\$ 1,547</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Township of Arlington conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Township of Arlington:

**REPORTING ENTITY**

Township of Arlington is located in Van Buren County, Michigan. The Township operates under an elected board of five members and provides services to residents in many areas including roads, fire protection, and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

**JOINT VENTURES**

**Fire Department**

The Township, together with the Township of Bangor and the City of Bangor has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the A.B.B. Joint Fire District. The A.B.B. Joint Fire District operates under an appointed board. Township of Arlington along with the other participating entities has representation on the board. A.B.B. Joint Fire District receives its operating budget from each participating entity at a ratio proportionate to their state taxable values of their real property.

The Township's contract to ABB and Lawrence Fire Department for fire protection for the year ended March 31, 2014 totaled \$136,536.

The following information summarizes the activity of the joint venture through June 30, 2013, the most recent audited financial statements available.

Total Assets	\$ 787,420	Total Revenues	\$ 344,634
Total Liabilities	\$ 82,131	Total Expenditures	\$ 410,150
Total Net Assets	\$ 705,289	Increase (Decrease) in Net Assets	\$ (65,516)
Total Joint Venture Outstanding Debt	\$ 54,233		

Complete financial statements for A.B.B. Joint Fire District can be obtained from:

Derek Babcock, Fire Chief  
417 Arlington Street  
Bangor, MI 49013

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Township's financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds).

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position.



**TOWNSHIP OF ARLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

Taxes Receivable - The Township property tax is levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county delinquent tax rolls.

Although the Township ad valorem tax is levied and collectible on February 1<sup>st</sup>, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2013 State taxable valuation of the Township totaled \$53,536,709 on which ad valorem taxes levied consisted of .7534 mills for Township operating purposes, 2.0000 mills for roads, 2.6543 mills for fire, .2500 mills for senior services, and .3430 for hospital services, raising \$40,336, \$107,078, \$136,538, \$13,385, and \$18,384, respectively.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Road Fund accounts for the maintenance of the Township's roads. Revenues are primarily derived from property taxes.
- The Fire Fund accounts for the Township's fire services. Revenues are primarily derived from property taxes.

**TOWNSHIP OF ARLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)**

The Township reports the following non major governmental funds:

- The Hospital Fund accounts for the hospital services provided by South Haven Community Hospital. Revenues are primarily derived from property taxes collected by the Township and remitted to the Hospital.
- The Senior Service Fund accounts for the senior services provided by South Haven Area Senior Services. Revenues are primarily derived from property taxes collected by the township and remitted to the Organization.

Additionally, the government reports the following fiduciary fund types:

- The Trust and Agency Funds (current tax collection) account for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided. Intentionally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

The delinquent real property taxes of the Township are purchased by Van Buren County. The Township receives its settlement of delinquent property taxes from Van Buren County within the sixty-day period and therefore recognizes the revenue as current year property tax revenue.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Infrastructure	10 to 30 years
Fire Equipment	7 to 25 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

**TOWNSHIP OF ARLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (Continued)**

Fund Equity - In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise 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.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable: Amounts that are not in 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 specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned: Intent to spend resources on specific purposes expressed by the board, or the director, who is authorized by resolution approved by the board to make assignments.
- Unassigned: All other amounts available for any purpose.

Restricted/Unrestricted Resources - When expenses are incurred for which both restricted and unrestricted resources are available, it is the Township's policy to first apply restricted resources. Once restricted resources are exhausted, the Township's policy is to apply unrestricted resources in the following order: committed, assigned, and unassigned.

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Township of Arlington.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets were adopted for all required governmental fund types. The Township Boards prepares the annual budgets prior to March 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**TOWNSHIP OF ARLINGTON  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014**

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

During the year ended March 31, 2014, the Township exceeded expenditures over budgeted amounts as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
Public Safety			
Building Inspection Department	\$ 7,000	\$ 7,498	\$ (498)

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated six banks and one savings bank for the deposit of Township of Arlington funds. The Township's deposits and investments are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	<u>\$ 1,153,206</u>	<u>\$ 1,547</u>	<u>\$ 1,154,753</u>
Total	<u>\$ 1,153,206</u>	<u>\$ 1,547</u>	<u>\$ 1,154,753</u>

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,154,753
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 1,154,753</u>

**TOWNSHIP OF ARLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

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**DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2014, the Township has deposits with a carrying amount of \$1,154,753 and a bank balance of \$1,158,758. Of the bank balance, \$700,696 is covered by federal depository insurance and \$458,062 is uninsured and \$0 is collateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC and SIPC insurance it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 37,560	\$ -	-	\$ 37,560
Subtotal	<u>37,560</u>	<u>-</u>	<u>-</u>	<u>37,560</u>
Capital Assets Being Depreciated				
Buildings	96,816	-	-	96,816
Furniture and Fixtures	8,846	-	-	8,846
Machinery and equipment	<u>5,692</u>	<u>-</u>	<u>-</u>	<u>5,692</u>
Subtotal	<u>111,354</u>	<u>-</u>	<u>-</u>	<u>111,354</u>
Less Accumulated Depreciation for				
Buildings	56,302	3,087	-	59,389
Furniture and Fixtures	8,196	300	-	8,496
Machinery and equipment	<u>4,364</u>	<u>1,138</u>	<u>-</u>	<u>5,502</u>
Subtotal	<u>68,862</u>	<u>4,525</u>	<u>-</u>	<u>73,387</u>
Net Capital Assets Being Depreciated	<u>42,492</u>	<u>(4,525)</u>	<u>-</u>	<u>37,967</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$ 80,052</u>	<u>\$ (4,525)</u>	<u>\$ -</u>	<u>\$ 75,527</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities	
General Government	<u>\$ 4,525</u>
Total Governmental Activities	<u>\$ 4,525</u>

**TOWNSHIP OF ARLINGTON  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014**

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**INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

FUND	INTERFUND RECEIVABLES	FUND	INTERFUND PAYABLES
General	\$ 8,395	Tax	\$ 1,547
		Road	6,848
Total	\$ 8,395		\$ 8,395
FUND	TRANSFERS IN	FUND	TRANSFERS OUT
Hospital	\$ 646	General	\$ 646
Total	\$ 646	Total	\$ 646

The interfund receivables and payables represent final settlement money owed to the General Fund for taxes collected in the tax fund. These monies are due to the respective funds for future projects planned in the coming fiscal years.

**RISK MANAGEMENT**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages its risk exposure and provides certain employee benefits through commercial insurance.

At March 31, 2014, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

**ACCOUNTING PRONOUNCEMENTS**

GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This standard will establish accounting and financial reporting requirements related to defined benefit and defined contribution pension plans. The statement will be effective in 2015 and the Township does not expect this to have any impact on their financial statements.

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. This standard will establish accounting and financial reporting requirements related to a "net pension liability" for the unfunded portion of its pension plan. The statement will be effective in 2015 and the Township does not expect this to have any impact on their financial statements.

GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*. This standard will establish accounting and financial reporting requirements for various types of government combinations. The statement will be effective in 2015. The Township does not expect this to have any impact due to the infrequent nature.

GASB issued Statement No. 70, *Nonexchange Financial Disclosures*. This standard will establish accounting for situations where one government offers a financial guarantee for another organization. The statement will be effective in 2015. The Township does not expect this to have any impact due to the infrequent nature.

**TOWNSHIP OF ARLINGTON**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended March 31, 2014**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 906,554	\$ 906,554	\$ 906,554	\$ -
<b>Resources (Inflows)</b>				
Taxes and Penalties	60,000	60,000	63,751	3,751
Licenses and Permits	7,000	7,000	7,498	498
State Grants	145,000	145,000	158,144	13,144
Charges for Services	1,750	1,750	4,742	2,992
Interest and Rentals	2,000	2,000	2,912	912
Other Revenue	500	500	1,470	970
<b>Total Resources</b>	<u>216,250</u>	<u>216,250</u>	<u>238,517</u>	<u>22,267</u>
<b>Charges to Appropriations (Outflows)</b>				
Legislative	35,547	36,096	29,520	6,576
General Government				
Supervisor	12,308	12,308	11,658	650
Clerk	16,110	16,110	15,159	951
Professional	6,750	6,750	6,692	58
Board of Review	2,218	2,218	1,918	300
Treasurer	19,541	19,541	19,510	31
Assessor	15,321	15,321	12,871	2,450
Elections	3,800	3,800	1,603	2,197
Buildings and Grounds	18,000	18,000	7,467	10,533
Cemetery	15,890	15,890	13,462	2,428
Public Safety				
Building Inspection Department	7,000	7,000	7,498	(498)
Public Works				
Drains	8,543	8,543	8,543	-
Street Lighting	3,500	3,500	3,134	366
Sanitation - Transfer Station	2,900	2,900	2,130	770
Community and Economic Development				
Planning and Zoning	17,193	17,193	15,202	1,991
<b>Total Charges to Appropriations</b>	<u>184,621</u>	<u>185,170</u>	<u>156,367</u>	<u>28,803</u>
<b>Excess of Resources Over (Under) Appropriations</b>	<u>31,629</u>	<u>31,080</u>	<u>82,150</u>	<u>51,070</u>

**TOWNSHIP OF ARLINGTON**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2014**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Other Financing Sources (Uses)				
Operating Transfer (Out)	<u>(31,080)</u>	<u>(31,080)</u>	<u>(646)</u>	<u>30,434</u>
Total Other Financing Sources (Uses)	<u>(31,080)</u>	<u>(31,080)</u>	<u>(646)</u>	<u>30,434</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>549</u>	<u>-</u>	<u>81,504</u>	<u>81,504</u>
Budgetary Fund Balance - March 31, 2014	<u>\$ 907,103</u>	<u>\$ 906,554</u>	<u>\$ 988,058</u>	<u>\$ 81,504</u>



**TOWNSHIP OF ARLINGTON**  
**BUDGETARY COMPARISON SCHEDULE - ROAD FUND**  
**For the Year Ended March 31, 2014**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 162,132	\$ 162,132	\$ 162,132	\$ -
Resources (Inflows)				
Taxes and Penalties	104,967	104,967	107,139	2,172
Interest and Rentals	200	200	312	112
Other Revenue	<u>3,400</u>	<u>3,400</u>	<u>3,514</u>	<u>114</u>
Total Resources	<u>108,567</u>	<u>108,567</u>	<u>110,965</u>	<u>2,398</u>
Charges to Appropriations (Outflows)				
Public Works				
Highways and Roads	<u>148,657</u>	<u>148,657</u>	<u>62,808</u>	<u>85,849</u>
Total Charges to Appropriations	<u>148,657</u>	<u>148,657</u>	<u>62,808</u>	<u>85,849</u>
Excess of Resources Over (Under) Appropriations	<u>(40,090)</u>	<u>(40,090)</u>	<u>48,157</u>	<u>88,247</u>
Other Financing Sources (Uses)				
Operating Transfer In	<u>40,090</u>	<u>40,090</u>	<u>-</u>	<u>(40,090)</u>
Total Other Financing Sources (Uses)	<u>40,090</u>	<u>40,090</u>	<u>-</u>	<u>(40,090)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>48,157</u>	<u>48,157</u>
Budgetary Fund Balance - March 31, 2014	<u>\$ 162,132</u>	<u>\$ 162,132</u>	<u>\$ 210,289</u>	<u>\$ 48,157</u>

**TOWNSHIP OF ARLINGTON**  
**BUDGETARY COMPARISON SCHEDULE - FIRE FUND**  
**For the Year Ended March 31, 2014**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 4,662	\$ 4,662	\$ 4,662	\$ -
Resources (Inflows)				
Taxes and Penalties	138,694	136,514	136,412	(102)
Interest and Rentals	<u>22</u>	<u>22</u>	<u>18</u>	<u>(4)</u>
Total Resources	<u>138,716</u>	<u>136,536</u>	<u>136,430</u>	<u>(106)</u>
Charges to Appropriations (Outflows)				
Public Safety				
Fire Services	<u>138,716</u>	<u>136,536</u>	<u>136,536</u>	<u>-</u>
Total Charges to Appropriations	<u>138,716</u>	<u>136,536</u>	<u>136,536</u>	<u>-</u>
Excess of Resources Over (Under) Appropriations	<u>-</u>	<u>-</u>	<u>(106)</u>	<u>(106)</u>
Budgetary Fund Balance - March 31, 2014	<u>\$ 4,662</u>	<u>\$ 4,662</u>	<u>\$ 4,556</u>	<u>\$ (106)</u>

**TOWNSHIP OF ARLINGTON  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
March 31, 2014**

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<b>ASSETS</b>	<b>Hospital</b>	<b>Seniors</b>	<b>Total</b>
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Receivables			
Taxes	<u>2,274</u>	<u>1,657</u>	<u>3,931</u>
Total Assets	<u>\$ 2,274</u>	<u>\$ 1,657</u>	<u>\$ 3,931</u>
<b>LIABILITIES</b>			
Accounts Payable	<u>\$ 2,274</u>	<u>\$ 1,657</u>	<u>\$ 3,931</u>
Total Liabilities	<u>2,274</u>	<u>1,657</u>	<u>3,931</u>
<b>FUND BALANCE</b>			
Restricted	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 2,274</u>	<u>\$ 1,657</u>	<u>\$ 3,931</u>

**TOWNSHIP OF ARLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended March 31, 2014**

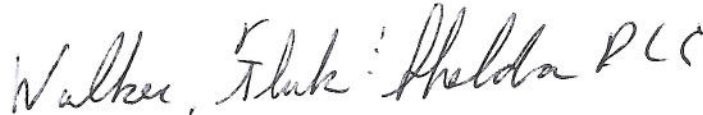
	<b>Hospital</b>	<b>Seniors</b>	<b>Total</b>
Revenues			
Taxes and Penalties	<u>\$ 18,337</u>	<u>\$ 13,364</u>	<u>\$ 31,701</u>
Total Revenues	<u>18,337</u>	<u>13,364</u>	<u>31,701</u>
Expenditures			
Health and Welfare	<u>18,983</u>	<u>13,364</u>	<u>32,347</u>
Total Expenditures	<u>18,983</u>	<u>13,364</u>	<u>32,347</u>
Excess of Revenues Over (Under)			
Expenditures	<u>(646)</u>	<u>-</u>	<u>(646)</u>
Other Financing Sources (Uses)			
Operating Transfer In	<u>646</u>	<u>-</u>	<u>646</u>
Total Other Financing Sources (Uses)	<u>646</u>	<u>-</u>	<u>646</u>
Excess of Revenues and Other			
Sources Over (Under)			
Expenditures and Other Uses	-	-	-
Fund Balance-April 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance-March 31, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

To the Township Board  
Township of Arlington  
Van Buren County, Michigan

We have recently completed our audit of the basic financial statements of Township of Arlington for the year ended March 31, 2014. As an addition to the audit report, the following report on internal control and results of the audit are being provided to Township of Arlington.

	<u>Page</u>
<b>Report on Internal Control</b>	2
<b>Results of the Audit</b>	3 - 4

We are very thankful for the opportunity to be of service to Township of Arlington. Should you have any questions regarding these reports, please do not hesitate to contact us.



Hastings, Michigan  
September 22, 2014

To the Township Board  
Township of Arlington  
Van Buren County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Arlington as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Arlington's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Arlington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Arlington's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

- The Township does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. This is a recurring comment. Currently, the Township contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries, because the additional benefits derived from implementing a system, would not outweigh the costs incurred.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, the board of Township of Arlington, 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.

Township of Arlington  
Van Buren County, Michigan  
September 22, 2014

*Walker, Fluke & Sheldon PLC*

September 22, 2014

To the Township Board  
Township of Arlington

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Arlington for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 18, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Township of Arlington are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. We noted no transactions entered into by the Township of Arlington during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Township of Arlington's estimate of depreciation is based on estimated useful lives of capital assets. We evaluated these estimates used to calculate depreciation and believe they are reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements were detected as a result of audit procedures and were corrected by management: certain revenue mispostings were reclassified, and accruals were made.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is 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 September 22, 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 Township of Arlington's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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

Other Matters

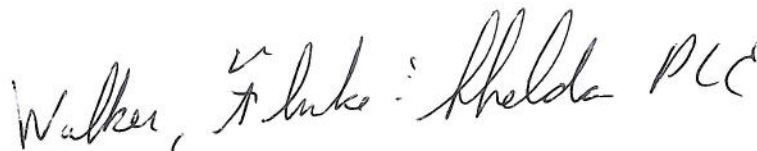
We applied certain limited procedures to the management discussion and analyses and budgetary reports, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on non-major statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use of The Township of Arlington Board and the management of Township of Arlington and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Walker, Frank: Sheldale PLLC". The signature is written in a cursive style with a checkmark above the word "Frank".