

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012**

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# TOWNSHIP OF ARLINGTON

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**INDEPENDENT AUDITOR'S REPORT**

September 19, 2012

To The Township Board Members of  
Arlington Township  
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, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Arlington, Van Buren County, Michigan management. Our responsibility is to express an opinion 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 the 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 the Township of Arlington as of March 31, 2012, 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 budgetary comparison information on pages 2 - 3 and 20 - 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Arlington's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, as presented by the index, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

Angle & Steffes, P.C.  
Certified Public Accountants

## **MANAGEMENT DISCUSSION AND ANALYSIS**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Arlington Township as a whole and present a long-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### **The Township as a Whole**

The Township's combined net assets are almost \$1.2 million. This number reflects assets that are \$24 thousand above 2010/2011. The Township has 3 major funds: General Fund, Road Fund and Fire Fund. The passage of a 2.0 mill renewal for Roads in August 2012 will help to insure continuation of improvement to local roads while continuing to furnish the residents of Arlington Township all their public safety needs as in the past. The Township's net assets continue to be sound.

The Township has improved its financial position overall, while continuing to make gradual improvements to Township Roads. The Township Board uses a combined effort of the Road millage and General Funds to continue improvements.

### **Government Wide Statements**

	<u>March 31, 2012</u>	<u>unaudited- March 31, 2011</u>
<b><u>Assets</u></b>		
Cash & cash equivalents	\$ 1,007,714	\$ 985,805
Receivables	69,756	67,472
Prepaid assets	6,584	7,396
Capital assets	<u>107,643</u>	<u>106,663</u>
Total Assets	1,191,697	1,167,336
<b><u>Liabilities</u></b>		
Current Liabilities	<u>19,689</u>	<u>19,305</u>
<b><u>Net Assets</u></b>		
Invested in Property & Equipment	107,643	106,663
Restricted for Roads	217,521	270,824
Restricted for Public Safety	4,641	4,656
Unrestricted	<u>842,203</u>	<u>765,888</u>
Total Net Assets	\$ 1,172,008	\$ 1,148,031

	<u>March 31, 2012</u>	<u>unaudited- March 31, 2011</u>
<b><u>Revenues</u></b>		
Property taxes	\$ 355,302	\$ 364,069
State shared revenues	153,803	136,351
Charges for services	9,736	12,181
Investment income	3,723	7,087
Other revenues	<u>2,238</u>	<u>611</u>
Total revenues	524,802	520,299
<b><u>Function expenses</u></b>		
General government	124,229	123,886
Public safety	151,828	150,502
Public works	177,593	58,721
Health & welfare	32,893	35,206
Community development	14,282	14,194
Recreation and culture	<u>0</u>	<u>2,000</u>
Total Primary Government expenses	\$ 500,825	\$ 384,509

**Economic Factors and Next Year's Budget and Rates**

Our Tax Base has recently been declining due to lower property values, however, the Arlington Township Board has and will continue to be fiduciary responsible in regards to all budgetary items. We will continue Road improvements to at least the extent that the Road millage will allow.

**Contacting the Township's Management**

The final report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Clerk's office at 48030 C.R. 673, Lawrence, MI 49064.

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**MARCH 31, 2012**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,007,714	\$ 1,007,714
Investments	0	0
Receivables - net	69,756	69,756
Prepays	6,584	6,584
Capital assets - net	107,643	107,643
 Total Assets	 1,191,697	 1,191,697
<b>LIABILITIES</b>		
Accounts payable	18,537	18,537
Accrued and other liabilities	1,152	1,152
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	0	0
 Total Liabilities	 19,689	 19,689
<b>NET ASSETS</b>		
Invested in Capital Assets		
Net of related debt	107,643	107,643
Restricted For		
Streets and highways	217,521	217,521
Public safety	4,641	4,641
Unrestricted	842,203	842,203
 Total Net Assets	 <u>\$ 1,172,008</u>	 <u>\$ 1,172,008</u>

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

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2012**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
General government	124,229	1,975	0	0	(122,254)	0	(122,254)
Public safety	151,828	6,609	0	0	(145,219)	0	(145,219)
Public works	177,593	1,152	0	0	(176,441)	0	(176,441)
Community and econ devel	14,282	0	0	0	(14,282)	0	(14,282)
Health and welfare	32,893	0	0	0	(32,893)	0	(32,893)
Recreation and culture	0	0	0	0	0	0	0
Total Governmental Activities	500,825	9,736	0	0	(491,089)	0	(491,089)
Total Primary Government	<u>\$ 500,825</u>	<u>\$ 9,736</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(491,089)</u>	<u>0</u>	<u>(491,089)</u>
<b>General Revenues</b>							
Property taxes					355,302	0	355,302
State-shared revenues					153,803	0	153,803
Interest					3,723	0	3,723
Franchise fees					0	0	0
Miscellaneous					2,238	0	2,238
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					515,066	0	515,066
Change in Net Assets					23,977	0	23,977
Net Assets-Beginning					1,148,031	0	1,148,031
Net Assets-Ending					<u>\$ 1,172,008</u>	<u>\$ 0</u>	<u>\$ 1,172,008</u>

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

**TOWNSHIP OF ARLINGTON**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**March 31, 2012**

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 804,211	\$ 202,965	\$ 538	\$ 0	\$ 1,007,714
Investments	0	0	0	0	0
Receivables - net	31,358	13,404	18,639	4,001	67,402
Due from other funds	1,202	1,152	0	0	2,354
Prepays	6,584	0	0	0	6,584
Total Assets	843,355	217,521	19,177	4,001	1,084,054
<b>LIABILITIES</b>					
Accounts payable	0	0	14,536	4,001	18,537
Due to other funds	1,152	0	0	0	1,152
Total Liabilities	1,152	0	14,536	4,001	19,689
<b>FUND BALANCES</b>					
Non Spendable	6,584	0	0	0	6,584
Restricted for					
Road projects	0	217,521	0	0	217,521
Public safety	0	0	4,641	0	4,641
Unassigned	835,619	0	0	0	835,619
Total Fund Balances	\$ 842,203	\$ 217,521	\$ 4,641	\$ 0	\$ 1,064,365

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 are not reported in the funds.	107,643
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Net Assets of Governmental Activities	<u>\$ 1,172,008</u>
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The Notes to Financial Statements are an integral part of this statement.



**TOWNSHIP OF ARLINGTON**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**March 31, 2012**

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes and penalties	68,945	108,940	145,173	32,247	355,305
Licenses and permits	6,609	0	0	0	6,609
State aid	150,396	3,407	0	0	153,803
Charges for services	1,975	1,152	0	0	3,127
Interest and rentals	3,286	429	7	0	3,722
Other revenue	2,215	0	23	0	2,238
<b>Total Revenues</b>	<u>233,426</u>	<u>113,928</u>	<u>145,203</u>	<u>32,247</u>	<u>524,804</u>
<b>Expenditures</b>					
Current					
General government	119,072	0	0	0	119,072
Public safety	6,609	0	145,219	0	151,828
Public works	10,362	167,231	0	0	177,593
Health and welfare	0	0	0	32,893	32,893
Recreation and cultural	0	0	0	0	0
Community/Economic development	14,282	0	0	0	14,282
Capital outlay	6,138	0	0	0	6,138
<b>Total Expenditures</b>	<u>156,463</u>	<u>167,231</u>	<u>145,219</u>	<u>32,893</u>	<u>501,806</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	76,963	(53,303)	(16)	(646)	22,998
<b>Other Financing Sources (Uses)</b>					
Transfers in	0	0	0	646	646
Transfers (out)	(646)	0	0	0	(646)
<b>Total Other Financing Sources (Uses)</b>	<u>(646)</u>	<u>0</u>	<u>0</u>	<u>646</u>	<u>0</u>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures &amp; Other Uses</b>	76,317	(53,303)	(16)	0	22,998
Fund Balance-April 1, 2011	<u>765,886</u>	<u>270,824</u>	<u>4,657</u>	<u>0</u>	<u>1,041,367</u>
Fund Balance-March 31, 2012	<u>\$ 842,203</u>	<u>\$ 217,521</u>	<u>\$ 4,641</u>	<u>\$ 0</u>	<u>\$ 1,064,365</u>

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

**TOWNSHIP OF ARLINGTON  
FIDUCIARY FUNDS-STATEMENT OF NET ASSETS  
MARCH 31, 2012**

	<u>Agency Fund (Property Tax Collection Fund)</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>1,202</u>
Total Assets	\$ <u><u>1,202</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 0
Due to other funds	<u>1,202</u>
Total Liabilities	\$ <u><u>1,202</u></u>

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

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

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

The Township of Arlington, Van Buren County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Arlington conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. 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 segment 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 revenue.

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

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 1 - 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, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

The government 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 Road Fund is a Special Revenue Fund of the Township. The Road Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

The Fire Fund is a Special Revenue Fund of the Township. The Fire Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(continued)

Additionally, the government reports the following non-major fund types:

The Hospital and Senior Services Funds are Special Revenue Funds of the Township. These funds are used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specific purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Arlington does not have enterprise funds.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

**D. Assets, Liabilities, and Net Assets 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." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. 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
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All 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 for employee terminations as of year-end.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Township has implemented the financial reporting model as outlined in Governmental Accounting Standards Board Statement 54, Fund Balance and Governmental Type Definitions, as of the fiscal year ended March 31, 2012. Under GASB 54, the fund balance classifications are broken down as follows:

Non Spendable Fund Balance

Assets that will never convert to cash such as prepaids and inventory. The Township of Arlington has a provision for prepaid insurance as of the fiscal year end of \$6584.

Restricted Fund Balance

Reservations of Fund Balance or constraints placed on resources externally by creditors, grantors, contributors or laws and regulations.

Committed Fund Balance

Constraints placed on resources by a formal action of the government's highest level of decision making authority. Requires formal action to be taken prior to the end of the reporting year.

Assigned Fund Balance

Constraints placed on resources by a government's intent to be used for specific purposes.

Unassigned Fund Balance

Residual classification of the General Fund. Used to account for and report for all financial resources not accounted for in another fund.

It is the Township's policy to first use restricted fund balances prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Township's policy for the use of unrestricted fund balances amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amount when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. In the initial GASB 54 implementation year, beginning fund balances for all special revenue, capital project, and debt service funds will be classified as restricted, unless they are negative, in which they must be shown as negative unassigned. Beginning fund balance in the General Fund will be classified as unassigned.

The government's highest level of legal authority, as described in Statement 54, is an ordinance.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

Capitalized Asset Costs	\$ 148,914
Less Accumulated Depreciation	<u>(41,271)</u>
Capital Assets, net	107,643
Governmental Fund Balances	<u>1,064,365</u>
Net Assets of Governmental Activities	<u>\$1,172,008</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit did not incur expenditures in certain budgeted funds which were in excess of the amounts appropriated.

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.



**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in 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 obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated 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 as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	<u>\$1,007,714</u>	<u>\$1,007,714</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,007,714
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
<b>Total</b>	<b><u>\$ 1,007,714</u></b>

The bank balance of the primary government's deposits is \$1,007,714, of which \$1,007,714 is covered by federal depository insurance.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds			Non-Major and Other Funds	Total
	General Fund	Road Fund	Fire Fund		
Taxes receivable	\$ 7,525	\$ 13,404	\$ 18,639	\$ 4,001	\$ 43,569
State share revenues receivable	23,833	0	0	0	23,833
Due from other funds	1,202	1,152	0	0	2,354
Less: allowance for uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Receivables	<u>\$ 32,560</u>	<u>\$ 14,556</u>	<u>18,639</u>	<u>\$ 4,001</u>	<u>\$ 69,756</u>

\* 2011 Winter tax receivable balances are received from the Van Buren County revolving tax collection fund within 60 days of the fiscal year end.

\* State revenue share receivable reflects the constitutional and statutory sales tax for March and April 2012. Provision is according to state guidelines, allowing six revenue payments in the fiscal period.

\* Due from other funds is the balance of tax collection due to the General Fund.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 6 - 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	\$ 0	0	\$ 37,560
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>37,560</u>	<u>0</u>	<u>0</u>	<u>37,560</u>
Capital Assets Being Depreciated				
Buildings	90,678	6,138	0	96,816
Improvements other than buildings	0	0	0	0
Machinery and equipment	<u>14,538</u>	<u>0</u>	<u>0</u>	<u>14,538</u>
Subtotal	<u>105,216</u>	<u>6,138</u>	<u>0</u>	<u>111,354</u>
Less Accumulated Depreciation for				
Buildings	26,969	3,592	0	30,561
Machinery and equipment	<u>9,144</u>	<u>1,566</u>	<u>0</u>	<u>10,710</u>
Subtotal	<u>36,113</u>	<u>5,158</u>	<u>0</u>	<u>41,271</u>
Net Capital Assets Being Depreciated	<u>69,103</u>	<u>980</u>	<u>0</u>	<u>70,083</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 106,663</u>	<u>\$ 980</u>	<u>\$ 0</u>	<u>\$ 107,643</u>

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

<b>Governmental Activities</b>	
General government	\$ 5,158
Public safety	0
Public works	0
Economic development	0
Recreation and culture	<u>0</u>
Total Governmental Activities	<u>\$ 5,158</u>

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

<b>Due To/From Other Funds</b>		<b>Payable Fund</b>	<b>Amount</b>
<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 1,202</u>	Tax Collection	<u>\$ 1,202</u>
Total	<u><u>\$ 1,202</u></u>		<u><u>\$ 1,202</u></u>

Tax collection balances are due the General Fund for final settlement of general tax liability.

**Interfund Transfers**

<u>Transfers In</u>	<u>Transfers (Out)</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
Non-Major Hospital Fund	<u>646</u>	<u>0</u>	<u>646</u>
Total	<u><u>\$ 646</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 646</u></u>

The General Fund supports the Hospital Fund committee wages that are not paid by the hospital tax levy as all taxes collected are paid directly to the South Haven Hospital Authority.

**TOWNSHIP OF ARLINGTON  
VAN BUREN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012**

**NOTE 8 - FIRE SERVICES**

The Township is a member of the A.B.B. Joint Fire District. The participants of the Joint Fire District include the City of Bangor, and Townships of Bangor and Arlington. The community fire district provides fire protection services to the residents of the respective municipalities. Operating charges are assessed to the participants in a ratio proportionate to their state equalized values of the real property. The Township appoints one member to the joint venture's governing board, and also approves the annual budget.

The support paid to the A.B.B. Joint Fire District was \$113,219 for the current fiscal year.

Arlington Township also contracts with the Lawrence Township Fire Department, paying them \$32,000 for fire services in the fiscal year.

**NOTE 9 - BUILDING INSPECTION SERVICES**

Public Act 245 of 1999 became effective January 1, 2000. This construction code act specified that a statewide code would apply to the plumbing, electrical, mechanical and building codes, dictating the Township's involvement in these services. The Township of Arlington subcontracts this service to a local inspector. Collections of \$6,609 were received during the year ended March 31, 2012 for this process with matching expenditures. No profit or loss is recognized from this service.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF ARLINGTON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED MARCH 31, 2012**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	765,886	765,886	765,886	(0)
Resources (Inflows)				
Property taxes	65,000	65,000	68,945	3,945
State aid	100,000	100,000	150,396	50,396
Licenses and permits	10,000	10,000	6,609	(3,391)
Charges for services	1,700	1,700	1,975	275
Interest and rentals	5,000	5,000	3,286	(1,714)
Miscellaneous revenues	500	500	2,215	1,715
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	948,086	948,086	999,312	51,226
Charges to Appropriations (Outflows)				
General Government				
Township board	32,444	32,444	29,483	2,961
Supervisor	12,685	12,685	12,710	(25)
Treasurer	18,725	18,725	18,393	332
Assessing	14,716	14,716	12,859	1,857
Clerk	14,883	14,883	14,422	461
Elections	2,650	2,650	1,979	671
Finance	3,934	3,934	4,579	(645)
Other General Government				
Building & grounds	8,500	8,500	4,291	4,209
Attorney	3,500	5,800	5,709	91
Cemetery	15,287	15,587	14,647	940
Public safety	10,000	10,000	6,609	3,391
Public works	11,400	11,400	10,362	1,038
Recreation & culture	2,000	2,000	0	0
Community & economic development	15,832	15,932	14,282	1,650
Capital outlay	10,500	10,500	6,138	4,362
Transfers to other funds	5,144	2,444	646	1,798
Total Charges to Appropriations	182,200	182,200	157,109	25,091
Budgetary Fund Balance-March 31	<u>\$ 765,886</u>	<u>\$ 765,886</u>	<u>\$ 842,203</u>	<u>\$ 76,317</u>

**TOWNSHIP OF ARLINGTON  
BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND  
YEAR ENDED MARCH 31, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 270,824	\$ 270,824	\$ 270,824	\$ 0
Resources (Inflows)				
Property taxes	120,000	120,000	108,940	(11,060)
State aid	3,600	3,600	3,407	(193)
Charges for services	0	0	1,152	1,152
Interest revenue & misc	4,100	4,100	429	(3,671)
Transfers from other funds	<u>4,452</u>	<u>1,752</u>	<u>0</u>	<u>(1,752)</u>
Amounts Available for Appropriation	<u>402,976</u>	<u>400,276</u>	<u>384,752</u>	<u>(15,524)</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>270,325</u>	<u>270,325</u>	<u>167,231</u>	<u>103,095</u>
Total Charges to Appropriations	<u>270,325</u>	<u>270,325</u>	<u>167,231</u>	<u>103,095</u>
Budgetary Fund Balance-March 31	<u>\$ 132,651</u>	<u>\$ 129,951</u>	<u>\$ 217,521</u>	<u>\$ 87,571</u>



**TOWNSHIP OF ARLINGTON  
BUDGETARY COMPARISON SCHEDULE  
MAJOR FIRE FUND  
YEAR ENDED MARCH 31, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 4,657	\$ 4,657	\$ 4,657	\$ 0
Resources (Inflows)				
Taxes and penalties	144,695	144,695	145,173	478
Interest revenue	22	22	7	(15)
Miscellaneous revenue	<u>0</u>	<u>0</u>	<u>23</u>	<u>23</u>
Amounts Available for Appropriation	149,374	149,374	149,860	486
Charges to Appropriations (Outflows)				
Public Safety				
Fire	<u>144,717</u>	<u>144,717</u>	<u>145,219</u>	<u>(502)</u>
Total Charges to Appropriations	<u>144,717</u>	<u>144,717</u>	<u>145,219</u>	<u>(502)</u>
Budgetary Fund Balance-March 31	<u>\$ 4,657</u>	<u>\$ 4,657</u>	<u>\$ 4,641</u>	<u>\$ (16)</u>

## **ADDITIONAL INFORMATION**

**TOWNSHIP OF ARLINGTON  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED MARCH 31, 2012**

	<u>Special Revenue Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Senior Services</u>	<u>Hospital</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 0	\$ 0	\$ 0
Investments	0	0	0
Receivables - net	1,687	2,314	4,001
Due from other funds	0	0	0
<b>Total Assets</b>	<b>\$ 1,687</b>	<b>\$ 2,314</b>	<b>\$ 4,001</b>
 <b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,687	\$ 2,314	\$ 4,001
Due to other funds	0	0	0
<b>Total Liabilities</b>	1,687	2,314	4,001
 <b>Fund Balance</b>			
Restricted	0	0	0
Unassigned	0	0	0
<b>Total Fund Equity</b>	0	0	0
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,687</b>	<b>\$ 2,314</b>	<b>\$ 4,001</b>

**TOWNSHIP OF ARLINGTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2012**

	<u>Special Revenue Funds</u>		Total
	<u>Senior Service</u>	<u>Hospital</u>	Non-Major Governmental Funds
Revenues			
Taxes and penalties	13,595	18,652	32,247
Charges for services	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>13,595</u>	<u>18,652</u>	<u>32,248</u>
Expenditures			
Current			
Public safety	0	0	0
Health and welfare	13,595	19,298	32,893
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>13,595</u>	<u>19,298</u>	<u>32,893</u>
Excess of Revenues Over (Under) Expenditures	0	(646)	(646)
Other Financing Sources (Uses)			
Operating transfers in	0	646	646
Operating transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>646</u>	<u>646</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	0	0
Fund Balance-April 1, 2011	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance-March 31, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Angle & Steffes, P.C.  
Certified Public Accountants  
424 Western Ave., Suite A  
Allegan, MI 49010  
269-686-9050  
mail@anglesteffes.com

September 19, 2012

To the Township Board Members  
Arlington Township  
VanBuren County, MI

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

As stated in our engagement letter dated July 11, 2012, 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.

### **Qualitative Aspects of Accounting Principles**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arlington Township 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 fiscal year ended March 31, 2012. We noted no transactions entered into by Arlington Township that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based upon 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.

### **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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements.

## Disagreements with Management

For purposes of this letter, professional standards define disagreements 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's representation letter dated September 19, 2012.

## Other Audit Findings or Issues

We have audited the financial statements of Arlington Township for the year ended March 31, 2012, and have issued our report thereon dated September 19, 2012. Professional standards require that we provide you with the following information related to our audit.

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington Township as of and for the year ended March 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Arlington Township'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 Arlington Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Arlington Township'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we considered to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the following deficiency in Arlington Township's internal control to be a significant deficiency:

Financial Statement Preparation Controls - In conjunction with our audit, we have been contracted to prepare financial statements and related disclosures based upon the information provided to us by

Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Arlington Township's financial statements. However, if at any point in the audit, we as auditors are part of the Arlington Township's control system for producing reliable financial statements, auditing standards indicate that Arlington Township has a control deficiency. If management is not able to prepare financial statements, including disclosures, and auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

Please call us if you have any questions regarding our comments above. We appreciate the opportunity to provide audit services to Arlington Township and are confident that we can continue serving your audit needs in the future.

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

Respectfully,

Angle & Steffes, PC

Angle & Steffes, P.C.  
Certified Public Accountants  
424 Western Ave., Suite A  
Allegan, MI 49010

September 19, 2012

In planning and performing the audit of the Basic Financial Statements of the Township of Arlington for the year ended March 31, 2012, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of a few matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

**Budget Review**

During our audit review, the budget had been evaluated on a regular basis. Only small variances were noted as of March 31, 2012. Continued diligence is required.

	Actual Expense	Budget
<b><u>General Fund</u></b>		
Supervisor	\$12,710	\$12,685
Finance	\$ 4,579	\$ 4,934
<b><u>Fire Fund</u></b>		
Public Safety	\$145,219	\$144,717

**Library contract**

As a minor discussion, it was noted that the Library contract has not been billed or paid as of the audit date or the date of this letter. We have discussed with management that the Library may have an intermittent contract, and catch up payments may be necessary in the coming fiscal year. As the contract is not documented as of the audit date, no provision was included in the financial statements.

**General**

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,

Angle & Steffes, P.C.  
Certified Public Accountants