Township of Arlington

Financial Statements

For the Year Ended March 31, 2016

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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, 2016, 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, 2016, and the respective changes in financial position 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 combing 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 16, 2016

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, 2016. 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 $1,345,178 (net position) compared to $1,347,359 last year. Of this amount, $632,407 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by $2,181 compared to an increase of $68,929 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of $765,339, a decrease of $509,583 compared to an ending fund balance of $1,274,922 the previous year, an increase of $72,019.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $632,407 or 93% of total general fund expenditures. In 2015 the ending unassigned fund balance for the general fund was $1,060,132. The decrease is due to building an addition on the Township hall. Besides the decrease for the construction project, the Township demonstrated fiscal discipline and the Township is still 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.

Combing 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 $1,345,178 at the close of the most recent fiscal year compared to $1,347,359 last year.

A portion of the Township's net position (47.01%) reflects its unrestricted net position ($632,407), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net position (9.88%) reflects restricted net position ($132,932), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Township's net position (43.11%) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) ($579,839). 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

	Audited Governmental Activities 3/31/2016	Unaudited Governmental Activities 3/31/2015
Current and Other Assets	$ 805,111	$ 1,300,456
Capital Assets	579,839	72,436
Total Assets	1,384,950	1,372,892
Short-Term Liabilities	39,772	25,533
Total Liabilities	39,772	25,533
Net Position		
Invested in Capital Assets, Net of related debt	579,839	72,436
Restricted	132,932	214,790
Unrestricted	632,407	1,060,133
Total Net Position	$ 1,345,178	$ 1,347,359
Program Expenses		
Governmental Activities		
Legislative	29,127	31,277
General Government	97,932	97,658
Public Safety	147,260	146,811
Public Works	218,434	126,679
Health and Welfare	29,940	32,725
Community and Economic Development	15,128	17,899
Other	-	-
Total Expenses	537,821	453,049
Program Revenues		
Charges for Services	$ 19,464	$ 8,297
General Revenues		
Property Taxes	348,521	345,495
State Grants	160,756	162,154
Interest and Rents	3,665	1,988
Other Revenue	5,584	4,044
Total Revenue	537,990	521,978
Loss on Sale of Capital Assets	(2,350)	-
Change in Net Position	$ (2,181)	$ 68,929

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 decreased the Township's net position by $2,181 mainly due to a increase in the amount spent on road projects.

For the most part, expenses in the current year were down significantly compared to the prior year except for public works. Revenues were up slightly from the prior year due to increased tax revenue.

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 $765,339 a decrease of $509,583 from the prior year. Last year, the Township's governmental funds combined ending fund balance was $1,274,922, an increase of $72,019 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 $632,407 and the total fund balance was $632,407. Unassigned fund balance represents 93% of the total general fund expenditures.

The fund balance of the Township's general fund decreased $427,725 during the current fiscal year, compared to an increase of $72,074 in the prior year. This is mainly due to building an addition on the Township Hall.

General Fund Budgetary Highlights

There was one large budget increase for capital outlay of $575,634 to account for the Hall addition. All others were minor adjustments 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, 2016, amounts to $579,839 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, and equipment.

During the year the Township started an addition to the Township Hall and purchased a computer. 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

Our Tax Base has showed very little increase over the last few years, however the Arlington Township Board is pleased with recent New Home Construction that has been occurring. Voters of Arlington Township approved a Four Year renewal of the 2 mill road tax levy at the Primary Election held in August of 2016. This renewal will help insure the basic maintenance as well as some upgrades to the Township's local roads.

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, 2016

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	$ 629,024	$ 629,024
Receivables (Net)		
Taxes	38,906	38,906
Due From State	24,000	24,000
Due from Other Funds	8,582	8,582
Restricted Assets	104,599	104,599
Capital Assets not Being Depreciated	549,781	549,781
Capital Assets Being Depreciated, Net	30,058	30,058
Total Assets	1,384,950	1,384,950
LIABILITIES		
Accounts Payable	32,924	32,924
Due to Other Funds	6,848	6,848
Total Liabilities	39,772	39,772
NET POSITION		
Invested in Capital Assets, Net of Related Debt	579,839	579,839
Restricted for Roads	116,099	116,099
Restricted for Fire Services	16,833	16,833
Unrestricted	632,407	632,407
Total Net Position	$ 1,345,178	$ 1,345,178

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, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Total
Primary Government				
Governmental Activities				
Legislative	$ 29,127	$ -	$ (29,127)	$ (29,127)
General Government	97,932	525	(97,407)	(97,407)
Public Safety	147,260	17,389	(129,871)	(129,871)
Public Works	218,434	-	(218,434)	(218,434)
Health and Welfare	29,940	-	(29,940)	(29,940)
Community and Economic Development	15,128	1,550	(13,578)	(13,578)
Total Governmental Activities	537,821	19,464	(518,357)	(518,357)
Total Primary Government	$ 537,821	$ 19,464	(518,357)	(518,357)
General Revenues				
Taxes and Penalties			348,521	348,521
State Grants			160,756	160,756
Interest and Rentals			3,665	3,665
Other Revenue			5,584	5,584
Total General Revenue			518,526	518,526
Loss on Sale of Capital Assets			(2,350)	(2,350)
Change in Net Position			(2,181)	(2,181)
Net Position-Beginning			1,347,359	1,347,359
Net Position-Ending			$ 1,345,178	$ 1,345,178

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

TOWNSHIP OF ARLINGTON
GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2016

ASSETS	General	Roads	Fire	Non-Major Governmental Funds	Total Governmental
Cash and Cash Equivalents	$ 622,176	$ 110,777	$ 670	$ -	$ 733,623
Receivables					
Taxes	6,963	12,170	16,163	3,610	38,906
Due From State	24,000	-	-	-	24,000
Due From Other Funds	8,582	-	-	-	8,582
Total Assets	$ 661,721	$ 122,947	$ 16,833	$ 3,610	$ 805,111
LIABILITIES					
Accounts Payable	$ 29,314	$ -	$ -	$ 3,610	$ 32,924
Due To Other Funds	-	6,848	-	-	6,848
Total Liabilities	29,314	6,848	-	3,610	39,772
FUND BALANCE					
Restricted	-	116,099	16,833	-	132,932
Unassigned	632,407	-	-	-	632,407
Total Fund Balances	632,407	116,099	16,833	-	765,339
Total Liabilities and Fund Balance	$ 661,721	$ 122,947	$ 16,833	$ 3,610	$ 805,111

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, 2016

Governmental Fund Balance - March 31, 2016		$ 765,339
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 650,045	
Less: accumulated depreciation	(70,206)	579,839
Net Position of Governmental Activities		$1,345,178

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, 2016

	General	Road	Fire	Non-Major Governmental Funds	Total Governmental
Revenues					
Taxes and Penalties	$ 66,442	$ 110,487	$ 142,298	$ 29,294	$ 348,521
Licenses and Permits	17,389	-	-	-	17,389
State Grants	160,756	-	-	-	160,756
Charges for Services	2,075	-	-	-	2,075
Interest and Rentals	3,639	25	1	-	3,665
Other Revenue	2,279	3,305	-	-	5,584
Total Revenues	252,580	113,817	142,299	29,294	537,990
Expenditures					
Legislative	29,127	-	-	-	29,127
General Government	94,745	-	-	-	94,745
Public Safety	17,389	-	129,871	-	147,260
Public Works	10,331	208,103	-	-	218,434
Health and Welfare	-	-	-	29,940	29,940
Community and Economic Development	15,128	-	-	-	15,128
Capital Outlay	512,939	-	-	-	512,939
Total Expenditures	679,659	208,103	129,871	29,940	1,047,573
Excess of Revenues Over (Under) Expenditures	(427,079)	(94,286)	12,428	(646)	(509,583)
Other Financing Sources (Uses)					
Operating Transfer In	-	-	-	646	646
Operating Transfer Out	(646)	-	-	-	(646)
Total Other Financing Sources (Uses)	(646)	-	-	646	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(427,725)	(94,286)	12,428	-	(509,583)
Fund Balance-April 1, 2015	1,060,132	210,385	4,405	-	1,274,922
Fund Balance-March 31, 2016	$ 632,407	$ 116,099	$ 16,833	$ -	$ 765,339

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, 2016

Net Change in Fund Balances - Total Governmental Funds		$ (509,583)
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	$ 512,939	
Less: Loss from sale of capital assets	2,350	
Less: Current year depreciation	3,187	507,402
Change in Net Position of Governmental Activities		$ (2,181)

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

TOWNSHIP OF ARLINGTON
FIDUCIARY FUNDS STATEMENT OF NET POSTION
March 31, 2016

	Tax Fund
ASSETS	
Cash and Cash Equivalents	$ 1,734
Total Assets	1,734
LIABILITIES	
Due to Other Funds	1,734
Total Liabilities	$ 1,734

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

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, 2016 totaled $129,871.

The following information summarizes the activity of the joint venture through June 30, 2015, the most recent audited financial statements available.

Total Assets	$ 1,164,959	Total Revenues	$ 377,155
Total Liabilities	$ 400,016	Total Expenditures	$ 359,185
Total Net Assets	$ 764,943	Increase (Decrease) in Net Assets	$ 17,970
Total Joint Venture Outstanding Debt	$ 375,000		

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.

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 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county delinquent tax rolls.

Although the Township ad valorem tax is levied and collectible on February 1st, 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 2015 State taxable valuation of the Township totaled $55,925,003 on which ad valorem taxes levied consisted of .7498 mills for Township operating purposes, 1.9908 mills for roads, 2.6439 mills for fire, .2494 mills for senior services, and .3413for hospital services, raising $41,924, $111,327, $142,811, $13,939, and $19,079, 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.

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

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.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

During the year ended March 31, 2016, the Township exceeded expenditures over budgeted amounts as follows:

FUND	BUDGET APPROPRIATION	ACTUAL EXPENDITURE	BUDGET VARIANCE
General			
Public Safety			
Building Inspection Department	$ 7,000	$ 17,389	$ (10,389)

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:

	GOVERNMENTAL ACTIVITIES	FIDUCIARY FUNDS	TOTAL PRIMARY GOVERNMENT
Cash and Cash Equivalents	$ 629,024	$ 1,734	$ 630,758
Investments	-	-	-
Restricted Assets	104,599	-	104,599
Total	$ 733,623	$ 1,734	$ 735,357

The breakdown between deposits and investments is:

	TOTAL PRIMARY GOVERNMENT
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	$ 735,357
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	-
Total	$ 735,357

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, 2016, the Township has deposits with a carrying amount of $735,357 and a bank balance of $736,488. Of the bank balance, $736,488 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:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 37,560	$ -	-	$ 37,560
Construction in Progress	-	512,221	-	512,221
Subtotal	37,560	512,221	-	549,781
Capital Assets Being Depreciated				
Buildings	96,816	-	6,401	90,415
Furniture and Fixtures	9,396	718	5,957	4,157
Machinery and equipment	5,692	-	-	5,692
Subtotal	111,904	718	12,358	100,264
Less Accumulated Depreciation for				
Buildings	62,475	2,919	4,051	61,343
Furniture and Fixtures	8,860	268	5,957	3,171
Machinery and equipment	5,692	-	-	5,692
Subtotal	77,027	3,187	10,008	70,206
Net Capital Assets Being Depreciated	34,877	(2,469)	2,350	30,058
Governmental Activities Total Capital Assets-Net of Depreciation	$ 72,437	$ 509,752	$ 2,350	$ 579,839

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

Total Governmental Activities	$ 3,187

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

FUND	INTERFUND RECEIVABLES	FUND	INTERFUND PAYABLES
General	$ 8,582	Tax	$ 1,734
		Road	6,848
Total	$ 8,582		$ 8,582

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 thorough commercial insurance.

At March 31, 2016, 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* This standard addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions made by state or local government to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Because the Township does not maintain its own pension trust fund we do not expect any impact.

GASB issued Statement No. 72 *Fair Value Measurement and Application.* This statement establishes general principles for measuring fair value for asset and liabilities measured at fair value, which primarily applies to investments made by state and local governments. Because the Township does not invest in securities we do not expect any impact.

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2016

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	$ 1,060,132	$ 1,060,132	$ 1,060,132	$ -
Resources (Inflows)				
Taxes and Penalties	61,650	61,650	66,442	4,792
Licenses and Permits	7,500	7,500	17,389	9,889
State Grants	154,100	154,100	160,756	6,656
Charges for Services	650	650	2,075	1,425
Interest and Rentals	1,750	1,750	3,639	1,889
Other Revenue	500	500	2,279	1,779
Total Resources	226,150	226,150	252,580	26,430
Charges to Appropriations (Outflows)				
Legislative	35,281	35,291	29,127	6,164
General Government				
Supervisor	12,685	12,685	12,035	650
Clerk	16,384	16,384	16,001	383
Professional	7,300	7,639	7,488	151
Board of Review	2,139	2,139	1,701	438
Treasurer	20,473	20,473	20,172	301
Assessor	14,221	14,368	13,868	500
Elections	4,050	4,741	2,971	1,770
Buildings and Grounds	15,400	6,931	6,815	116
Cemetery	15,537	15,537	13,694	1,843
Public Safety				
Building Inspection Department	7,000	7,000	17,389	(10,389)
Public Works				
Drains	9,000	9,000	4,023	4,977
Street Lighting	3,500	3,500	3,068	432
Sanitation - Transfer Station	4,100	4,100	3,240	860
Community and Economic Development				
Planning and Zoning	18,454	18,454	15,128	3,326
Capital Outlay	-	575,634	512,939	62,695
Total Charges to Appropriations	185,524	753,876	679,659	74,217
Excess of Resources Over (Under) Appropriations	40,626	(527,726)	(427,079)	100,647

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended March 31, 2016

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Other Financing Sources (Uses)				
Operating Transfer (Out)	(40,626)	(39,866)	(646)	39,220
Total Other Financing Sources (Uses)	(40,626)	(39,866)	(646)	39,220
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	-	(567,592)	(427,725)	139,867
Budgetary Fund Balance - March 31, 2016	$ 1,060,132	$ 492,540	$ 632,407	$ 139,867

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
For the Year Ended March 31, 2016

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	$ 210,385	$ 210,385	$ 210,385	$ -
Resources (Inflows)				
Taxes and Penalties	108,000	108,000	110,487	2,487
Interest and Rentals	100	100	25	(75)
Other Revenue	3,300	3,300	3,305	5
Total Resources	111,400	111,400	113,817	2,417
Charges to Appropriations (Outflows)				
Public Works				
Highways and Roads	200,000	200,000	208,103	(8,103)
Total Charges to Appropriations	200,000	200,000	208,103	(8,103)
Excess of Resources Over (Under) Appropriations	(88,600)	(88,600)	(94,286)	(5,686)
Other Financing Sources (Uses)				
Operating Transfer In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(88,600)	(88,600)	(94,286)	(5,686)
Budgetary Fund Balance - March 31, 2016	$ 121,785	$ 121,785	$ 116,099	$ (5,686)

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended March 31, 2016

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	$ 4,405	$ 4,405	$ 4,405	$ -
Resources (Inflows)				
Taxes and Penalties	142,821	142,821	142,298	(523)
Interest and Rentals	-	-	1	1
Total Resources	142,821	142,821	142,299	(522)
Charges to Appropriations (Outflows)				
Public Safety				
Fire Services	142,821	142,821	129,871	12,950
Total Charges to Appropriations	142,821	142,821	129,871	12,950
Excess of Resources Over (Under) Appropriations	-	-	12,428	12,428
Budgetary Fund Balance - March 31, 2016	$ 4,405	$ 4,405	$ 16,833	$ 12,428

TOWNSHIP OF ARLINGTON
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2016

ASSETS	**Hospital**	**Seniors**	**Total**
Cash and Cash Equivalents	$ -	$ -	$ -
Receivables			
Taxes	2,086	1,524	3,610
Total Assets	$ 2,086	$ 1,524	$ 3,610
LIABILITIES			
Accounts Payable	$ 2,086	$ 1,524	$ 3,610
Total Liabilities	2,086	1,524	3,610
FUND BALANCE			
Restricted	-	-	-
Unassigned	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balance	$ 2,086	$ 1,524	$ 3,610

TOWNSHIP OF ARLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended March 31, 2016

	Hospital	Seniors	Total
Revenues			
Taxes and Penalties	$ 16,927	$ 12,367	$ 29,294
Total Revenues	16,927	12,367	29,294
Expenditures			
Health and Welfare	17,573	12,367	29,940
Total Expenditures	17,573	12,367	29,940
Excess of Revenues Over (Under) Expenditures	(646)	-	(646)
Other Financing Sources (Uses)			
Operating Transfer In	646	-	646
Total Other Financing Sources (Uses)	646	-	646
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-
Fund Balance-April 1, 2015	-	-	-
Fund Balance-March 31, 2016	$ -	$ -	$ -