TOWNSHIP OF ARLINGTON

FINANCIAL STATEMENTS

For the year ended March 31, 2018

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WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS
Building Trust, Delivering Integrity, One Handshake at a Time.

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, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Walther, Fluke & Sheldon PLC

Hastings, Michigan
September 7, 2018

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 the Township of Arlington for the fiscal year ended March 31, 2018. 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 $1,555,921 (net position) compared to $1,442,739 last year. Of this amount, $688,629 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $113,182 compared to an increase of $97,560 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of $900,833, an increase of $100,673 compared to an ending fund balance of $800,160 the previous year, an increase of $34,820.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $688,629 or 326% of total general fund expenditures. In 2017 the ending unassigned fund balance for the general fund was $650,315.

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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, 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 $1,555,921 at the close of the most recent fiscal year compared to $1,442,739 last year.

A portion of the Township's net position (44.26%) reflects its unrestricted net position ($688,629), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net position (13.64%) reflects restricted net position ($212,204), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Township's net position (42.10%) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) ($655,088). 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 3/31/2018	Audited Governmental Activities 3/31/2017
Current and Other Assets	$ 916,096	$ 821,023
Capital Assets	655,088	642,579
Total Assets	1,571,184	1,463,602
Short-Term Liabilities	15,263	20,863
Total Liabilities	15,263	20,863
Net Position		
Invested in Capital Assets, Net of Related Debt	655,088	642,579
Restricted	212,204	149,845
Unrestricted	688,629	650,315
Total Net Position	$ 1,555,921	$ 1,442,739
Program Expenses		
Governmental Activities		
Legislative	37,963	26,645
General Government	125,139	107,985
Public Safety	159,083	165,524
Public Works	65,963	91,903
Health and Welfare	14,148	14,561
Community and Economic Development	19,666	21,958
Recreation and Culture	2,000	2,000
Other	500	500
Total Expenses	424,462	431,076
Program Revenues		
Charges for Services	$ 8,739	$ 11,582
General Revenues		
Property Taxes	347,196	335,735
State Grants	173,355	173,929
Interest and Rents	1,863	1,951
Other Revenue	6,491	5,439
Total Revenue	537,644	528,636
Change in Net Position	$ 113,182	$ 97,560

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

Governmental activities. Governmental activities increased the Township's net position by $113,182 mainly due to decreased costs on road projects.

For the most part, expenses in the current year were up compared to the prior audit except for public works. Revenues were consistent.

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 $900,833 an increase of $100,673 from the prior year. Last year, the Township's governmental funds combined ending fund balance was $800,160, an increase of $34,820 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 $688,629 and the total fund balance was $688,629. Unassigned fund balance represents 326% of the total general fund expenditures.

The fund balance of the Township's general fund increased $38,314 during the current fiscal year, compared to an increase of $17,907 in the prior year.

General Fund Budgetary Highlights

There were two large budget increases, one for capital outlay of $22,000 to account for the improvements and another for $18,726 for buildings and grounds. 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, 2018, amounts to $655,088 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, and equipment.

During the year the Township made improvements to the transfer station, put on a new roof and made improvements to the cemetery drive. Details of the Township's capital assets are continued in the notes to the financial statements on page 19.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The taxable values of the Township have increased slightly over the past few years. This slight tax revenue increase and responsible spending by the Township has continued to build the General fund balance without sacrificing any public safety services to the residents. The Township still sees moderate growth in the new construction as well as the influx of new growth in the Michigan medical marihuana program. The Township will use the current year road millage along with the existing road fund balance to completely rebuild a one mile stretch of 50th street that was crushed and returned to a gravel road by the Road Commission

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, 2018

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	$ 457,987	$ 457,987
Investments	392,334	392,334
Receivables (Net)		
Taxes	37,862	37,862
Due From State	25,532	25,532
Due From Other Funds	2,381	2,381
Capital Assets Not Being Depreciated	47,465	47,465
Capital Assets Being Depreciated, Net	607,623	607,623
Total Assets	1,571,184	1,571,184
LIABILITIES		
Accounts Payable	15,263	15,263
Total Liabilities	15,263	15,263
NET POSITION		
Invested in Capital Assets, Net of Related Debt	655,088	655,088
Restricted for Roads	208,145	208,145
Restricted for Fire Services	4,059	4,059
Unrestricted	688,629	688,629
Total Net Position	$ 1,555,921	$ 1,555,921

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, 2018

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities	Total
Primary Government				
Governmental Activities				
Legislative	$ 37,963	$ -	$ (37,963)	$ (37,963)
General Government	125,139	525	(124,614)	(124,614)
Public Safety	159,083	3,909	(155,174)	(155,174)
Public Works	65,963	3,385	(62,578)	(62,578)
Health and Welfare	14,148	-	(14,148)	(14,148)
Community and Economic Development	19,666	920	(18,746)	(18,746)
Recreation and Culture	2,000	-	(2,000)	(2,000)
Other	500	-	(500)	(500)
Total Governmental Activities	424,462	8,739	(415,723)	(415,723)
Total Primary Government	$ 424,462	$ 8,739	(415,723)	(415,723)
General Revenues				
Taxes and Penalties			347,196	347,196
State Grants			173,355	173,355
Interest and Rentals			1,863	1,863
Other Revenue			6,491	6,491
Total General Revenue			528,905	528,905
Change in Net Position			113,182	113,182
Net Position-Beginning			1,442,739	1,442,739
Net Position-Ending			$ 1,555,921	$ 1,555,921

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

TOWNSHIP OF ARLINGTON
GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2018

ASSETS	General	Roads	Fire	Non-Major Governmental Funds	Total Governmental
Cash and Cash Equivalents	$ 261,266	$ 196,052	$ 669	$ -	$ 457,987
Investments	392,334	-	-	-	392,334
Receivables					
Taxes	7,116	12,093	17,146	1,507	37,862
Due From State	25,532	-	-	-	25,532
Due From Other Funds	2,381	-	-	-	2,381
Total Assets	$ 688,629	$ 208,145	$ 17,815	$ 1,507	$ 916,096
LIABILITIES					
Accounts Payable	$ -	$ -	$ 13,756	$ 1,507	$ 15,263
Total Liabilities	-	-	13,756	1,507	15,263
FUND BALANCE					
Restricted	-	208,145	4,059	-	212,204
Unassigned	688,629	-	-	-	688,629
Total Fund Balances	688,629	208,145	4,059	-	900,833
Total Liabilities and Fund Balance	$ 688,629	$ 208,145	$ 17,815	$ 1,507	$ 916,096

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, 2018

Governmental Fund Balance - March 31, 2018		$ 900,833
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 752,512	
Less: accumulated depreciation	(97,424)	655,088
Net Position of Governmental Activities		$1,555,921

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, 2018

	General	Road	Fire	Non-Major Governmental Funds	Total Governmental
Revenues					
Taxes and Penalties	$ 64,542	$ 113,515	$ 154,991	$ 14,148	$ 347,196
Special Assessments	3,385	-	-	-	3,385
Licenses and Permits	3,909	-	-	-	3,909
State Grants	173,355	-	-	-	173,355
Charges for Services	1,445	-	-	-	1,445
Interest and Rentals	1,837	24	2	-	1,863
Other Revenue	1,330	5,161	-	-	6,491
Total Revenues	249,803	118,700	154,993	14,148	537,644
Expenditures					
Legislative	37,963	-	-	-	37,963
General Government	107,011	-	-	-	107,011
Public Safety	3,909	-	155,174	-	159,083
Public Works	9,803	56,160	-	-	65,963
Health and Welfare	-	-	-	14,148	14,148
Community and Economic Development	19,666	-	-	-	19,666
Recreation and Culture	2,000	-	-	-	2,000
Other	500	-	-	-	500
Capital Outlay	30,637	-	-	-	30,637
Total Expenditures	211,489	56,160	155,174	14,148	436,971
Excess of Revenues Over (Under) Expenditures	38,314	62,540	(181)	-	100,673
Fund Balance-April 1, 2017	650,315	145,605	4,240	-	800,160
Fund Balance-March 31, 2018	$ 688,629	$ 208,145	$ 4,059	$ -	$ 900,833

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, 2018

Net Change in Fund Balances - Total Governmental Funds		$ 100,673
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	$ 30,637	
Less: Current year depreciation	18,128	12,509
Change in Net Position of Governmental Activities		$ 113,182

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

TOWNSHIP OF ARLINGTON
FIDUCIARY FUNDS STATEMENT OF NET POSTION
March 31, 2018

	Tax Fund
ASSETS	
Cash and Cash Equivalents	$ 2,381
Total Assets	$ 2,381
LIABILITIES	
Due to Other Funds	$ 2,381
Total Liabilities	$ 2,381

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, 2018 totaled $123,174.

The following information summarizes the activity of the joint venture through June 30, 2017, the most recent audited financial statements available.

Total Assets	$ 1,083,123	Total Revenues	$ 432,258
Total Liabilities	$ 273,966	Total Expenditures	$ 488,287
Total Net Assets	$ 809,157	Increase (Decrease) in Net Assets	$ (56,029)
Total Joint Venture Outstanding Debt	$ 255,375		

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 2017 State taxable valuation of the Township totaled $57,140,907 on which ad valorem taxes levied consisted of .7456 mills for Township operating purposes, 1.9888 mills for roads, 2.8196 mills for fire, and .2480 mills for senior services, raising $42,548, $113,507, $155,985, and $14,147, 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 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, 2018, the Township did not exceed any expenditures over budgeted amounts.

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 four banks and one credit union 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	$ 457,987	$ 2,381	$ 460,368
Investments	392,334	-	392,334
Restricted Assets	-	-	-
Total	$ 850,321	$ 2,381	$ 852,702

The breakdown between deposits and investments is:

	TOTAL PRIMARY GOVERNMENT
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	$ 852,702
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	-
Total	$ 852,702

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, 2018, the Township has deposits with a carrying amount of $852,702 and a bank balance of $893,556. Of the bank balance, $690,743 is covered by federal depository insurance and $202,813 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	$ 9,905	$ -	$ 47,465
Subtotal	37,560	9,905	-	47,465
Capital Assets being Depreciated				
Buildings and Land Improvements	674,466	20,732	-	695,198
Furniture and Fixtures	4,157	-	-	4,157
Machinery and Equipment	5,692	-	-	5,692
Subtotal	684,315	20,732	-	705,047
Less Accumulated Depreciation for				
Buildings and Land Improvements	70,180	17,874	-	88,054
Furniture and Fixtures	3,424	254	-	3,678
Machinery and Equipment	5,692	-	-	5,692
Subtotal	79,296	18,128	-	97,424
Net Capital Assets Being Depreciated	605,019	2,604	-	607,623
Governmental Activities Total Capital Assets-Net of Depreciation	$ 642,579	$ 12,509	$ -	$ 655,088

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

Governmental Activities	
General Government	$ 18,128
Total Governmental Activities	$ 18,128

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

FUND	INTERFUND RECEIVABLES	FUND	INTERFUND PAYABLES
General	$ 2,381	Tax	$ 2,381
Total	$ 2,381		$ 2,381

The interfund receivables and payables represent final settlement money owed to the General Fund for taxes collected in the tax fund.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages its risk exposure and provides certain employee benefits through commercial insurance. At March 31, 2018, 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. 83, *Certain Asset Retirement Obligations.* This Statement is to address accounting and financial reporting for certain asset retirement obligation. This standard will be effective in 2019. The Township does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 84, *Fiduciary activities.* This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard will be effective in 2019. The Township is currently evaluating the impact of this standard.

GASB issued Statement No. 85, *Omnibus 2017.* This Statement is to address practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This standard will be effective in 2018. The Township does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This standard will be effective in 2018. The Township does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No 87, *Leases.* This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard will be effective in 2020. The Township does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements.* This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The standard will be in effect for 2019. The Township does not believe that this standard will have any impact on its financial statements.

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	$ 650,315	$ 650,315	$ 650,315	$ -
Resources (Inflows)				
Taxes and Penalties	62,500	62,500	64,542	2,042
Special Assessments	-	-	3,385	3,385
Licenses and Permits	7,000	7,000	3,909	(3,091)
State Grants	159,100	159,100	173,355	14,255
Charges for Services	1,000	1,000	1,445	445
Interest and Rentals	600	600	1,837	1,237
Other Revenue	500	500	1,330	830
Total Resources	230,700	230,700	249,803	19,103
Charges to Appropriations (Outflows)				
Legislative	35,655	38,071	37,963	108
General Government				
Supervisor	13,889	13,889	13,238	651
Clerk	16,264	16,264	15,973	291
Professional	9,000	9,851	9,851	-
Board of Review	2,063	2,063	1,885	178
Treasurer	20,720	20,720	19,847	873
Assessor	14,312	14,312	13,993	319
Elections	5,350	5,465	1,117	4,348
Buildings and Grounds	8,200	26,926	16,479	10,447
Attorney	-	-	-	-
Cemetery	14,627	17,227	14,628	2,599
Public Safety				
Building Inspection Department	7,000	7,000	3,909	3,091
Public Works				
Drains	6,000	6,000	2,614	3,386
Street Lighting	3,500	3,500	3,419	81
Sanitation - Transfer Station	5,600	5,600	3,770	1,830
Community and Economic Development				
Planning and Zoning	21,017	21,017	19,666	1,351
Recreation and Culture				
Library	2,000	2,000	2,000	-
Other				
Other	500	500	500	-
Capital Outlay	12,500	34,500	30,637	3,863
Total Charges to Appropriations	198,197	244,905	211,489	33,416
Excess of Resources Over (Under) Appropriations	32,503	(14,205)	38,314	52,519

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Other Financing Sources (Uses)				
Operating Transfer (Out)	(32,503)	-	-	-
Total Other Financing Sources (Uses)	(32,503)	-	-	-
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	-	(14,205)	38,314	52,519
Budgetary Fund Balance - March 31, 2018	$ 650,315	$ 636,110	$ 688,629	$ 52,519

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
For the Year Ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	$ 145,605	$ 145,605	$ 145,605	$ -
Resources (Inflows)				
Taxes and Penalties	111,255	111,255	113,515	2,260
Interest and Rentals	100	100	24	(76)
Other Revenue	3,300	3,300	5,161	1,861
Total Resources	114,655	114,655	118,700	4,045
Charges to Appropriations (Outflows)				
Public Works				
Highways and Roads	150,000	150,000	56,160	93,840
Total Charges to Appropriations	150,000	150,000	56,160	93,840
Excess of Resources Over (Under) Appropriations	(35,345)	(35,345)	62,540	97,885
Budgetary Fund Balance - March 31, 2018	$ 110,260	$ 110,260	$ 208,145	$ 97,885

TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	$ 4,240	$ 4,240	$ 4,240	$ -
Resources (Inflows)				
Taxes and Penalties	155,174	155,174	154,991	(183)
Interest and Rentals	-	-	2	2
Total Resources	155,174	155,174	154,993	(181)
Charges to Appropriations (Outflows)				
Public Safety				
Fire Services	155,174	155,174	155,174	-
Total Charges to Appropriations	155,174	155,174	155,174	-
Excess of Resources Over (Under) Appropriations	-	-	(181)	(181)
Budgetary Fund Balance - March 31, 2018	$ 4,240	$ 4,240	$ 4,059	$ (181)

TOWNSHIP OF ARLINGTON
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2018

	SENIOR SERVICES
ASSETS	
Receivables	
Taxes	$ 1,507
Total Assets	$ 1,507
LIABILITIES	
Accounts Payable	$ 1,507
Total Liabilities	1,507
FUND BALANCE	
Restricted	-
Unassigned	-
Total Fund Balances	-
Total Liabilities and Fund Balance	$ 1,507

TOWNSHIP OF ARLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended March 31, 2018

	SENIOR SERVICES
Revenues	
Taxes and Penalties	$ 14,148
Total Revenues	14,148
Expenditures	
Health and Welfare	14,148
Total Expenditures	14,148
Excess of Revenues Over (Under) Expenditures	-
Fund Balance-April 1, 2017	-
Fund Balance-March 31, 2018	$ -