

Township of Riley

St. Clair County, Michigan

Audited Financial Report
March 31, 2015

KING & KING CPAs LLC

Marlette - Imlay City - North Branch
Michigan

Township of Riley
 Annual Financial Report
 For The Fiscal Year Ended March 31, 2015

Table of Contents

	<u>Page Number</u>
I. Independent Auditor’s Report	1-2
II. Management’s Discussion and Analysis Letter	MD&A 1-3
III. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds	
Balance Sheet.....	5
Reconciliation of Fund Balances to the Statement of Net Position.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Fiduciary Funds	
Statement of Net Position	9
Notes to the Financial Statements.....	10-17
IV. Required Supplemental Information	18
Budgetary Comparison Schedule	
General Fund	19
Major Special Revenue Fund	20
V. Other Supplemental Information	21
Nonmajor Governmental Funds	
Combining Balance Sheet	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	23
Schedule of Indebtedness	24

KING & KING CPAs LLC

Lehn L. King, C.P.A.

Ryan L. King, C.P.A.

3531 MAIN STREET
MARLETTE, MI 48453
Phone 989-635-3113
Fax 989-635-5580

www.kingandkingcpas.com

1814 S. CEDAR STREET
IMLAY CITY, MI 48444
Phone 810-724-1120
Fax 810-519-1332

Independent Auditor's Report

Members of the Township Board
Township of Riley
St. Clair County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Township of Riley**, Michigan as of and for the fiscal year ended March 31, 2015, and the related notes to the financial statement, which collectively comprise the Township'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

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 Riley**, Michigan as of March 31, 2015, and the respective changes in financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

KING & KING CPAs LLC

Lehn L. King, C.P.A.

Ryan L. King, C.P.A.

3531 MAIN STREET
MARLETTE, MI 48453
Phone 989-635-3113
Fax 989-635-5580

www.kingandkingcpas.com

1814 S. CEDAR STREET
IMLAY CITY, MI 48444
Phone 810-724-1120
Fax 810-519-1332

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and major fund budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Riley**, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates 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 States of America. In our opinion, the information is fairly stated in all material aspects in relation to the basic financial statements as a whole.

Lehn King

Lehn L. King, C.P.A.
KING & KING CPAs LLC

June 29, 2015

Township of Riley

Riley, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Riley, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2015. Please read it in conjunction with the Township's financial statements.

Using this Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Condensed Financial Information

The following table shows in a condensed format, the net position as of the current date and compared to the most recently audited year's net position.

	Governmental Activities	
	3/31/2015	3/31/2014
Current Assets	\$ 535,940	\$ 425,956
Noncurrent Assets	366,590	372,800
Total Assets	<u>902,530</u>	<u>798,756</u>
Current Liabilities	33,409	6,448
Noncurrent Liabilities	172,381	210,000
Total Liabilities	<u>205,790</u>	<u>216,448</u>
Net Position		
Invested in Capital Assets -		
Net of Related Debt	168,325	162,800
Restricted	221,864	-
Unrestricted	<u>306,552</u>	<u>419,508</u>
Total Net Position	<u>\$ 696,741</u>	<u>\$ 582,308</u>

Township of Riley

Riley, Michigan

Condensed Financial Information – Continued

The following table shows the changes of the net position during the current fiscal year:

	Governmental Activities	
	3/31/2015	3/31/2014
Revenues		
Program Revenues:		
Charges for Services	\$ 43,157	\$ 312,389
General Revenues:		
Property Taxes	332,591	88,197
Intergovernmental Revenues	271,108	252,986
Interest	29	907
Other Revenues	7,893	4,202
Total Revenues	654,778	658,681
Program Expenses		
General Government	\$ 184,542	\$ 219,304
Public Safety	125,099	131,611
Public Works	273,028	297,877
Recreation & Culture	14,417	28,752
Interest	10,345	-
Total Program Expenses	607,431	677,544
Change in Net Position	\$ 47,347	\$ (18,863)

The Township as a Whole

- The Township's Governmental Activities net position increased by \$47,347 this year. This compares to a net decrease of \$18,863 in the previous year. The primary difference was that the Township decreased expenses in all programs.
- The Township's primary source of revenue is from state shared (intergovernmental) revenues and property taxes, which represent 92% of total revenue.

Township of Riley

Riley, Michigan

The Township's Funds

Our analysis of the Township's major funds begins on page 5, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township's major funds for the fiscal year ending March 31, 2015, include the General Fund, and Waste Disposal Fund.

General Fund Budgetary Highlights

The Township made amendments to the budget during the fiscal year, but there were many areas where expenses were in excess of budgeted amounts.

Capital Asset and Debt Administration

During the fiscal year ended March 31, 2015, the Township purchased signage for the Township Hall and Park for \$4,938.

Additional information regarding the Township's capital assets can be found in Note 5 to the financial statements.

The Township made scheduled debt principal payments of \$25,884 in the fiscal year ended March 31, 2015. The remaining debt balance as of March 31, 2015 is \$198,265.

Additional information regarding the Township's Long-Term Debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Township's tax base remained relatively constant. The Township will need to continue to watch the budget very closely in all categories.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Township Office in Riley, Michigan.

Township of Riley

Statement of Net Position

March 31, 2015

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 433,642
Accounts Receivable	54,820
Due From Other Funds (Net)	3,495
Prepaid Expenses	43,983
Capital Assets	
Nondepreciable Capital Assets	190,310
Depreciable Capital Assets	176,280
	<hr/>
<u>Total Assets</u>	902,531
	<hr/>
<u>Deferred Outflows of Resources</u>	
	-
<u>Liabilities</u>	
Accounts Payable	7,525
Current Portion of Long-Term Debt	25,884
Long-Term Debt	172,381
	<hr/>
<u>Total Liabilities</u>	205,790
	<hr/>
<u>Deferred Inflows of Resources</u>	
	-
<u>Net Position</u>	
Invested in Capital Assets - Net of Related Debt	168,325
Restricted For:	
Parks & Recreation	27,762
Waste Disposal	179,652
Building Inspection	14,450
Unrestricted	306,552
	<hr/>
<u>Total Net Position</u>	\$ 696,740
	<hr/> <hr/>

The notes are an integral part of the statements.

Township of Riley
Statement of Activities
For The Fiscal Year Ended March 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 184,542	\$ -	\$ -	\$ -	\$ (184,542)
Public Safety	125,099	43,157	-	-	(81,942)
Public Works	273,028	-	-	-	(273,028)
Recreation & Culture	14,417	-	-	-	(14,417)
Interest	10,345	-	-	-	(10,345)
<u>Total Governmental Activities</u>	<u>607,432</u>	<u>43,157</u>	<u>-</u>	<u>-</u>	<u>(564,275)</u>
General Revenues:					
Property Taxes					\$ 332,591
Intergovernmental Revenues					271,108
Interest					29
Other Revenues					7,893
Transfers					-
Total General Revenues, Special Items & Transfers					<u>611,621</u>
Change in Net Position					47,346
Net Position - Beginning of Year					<u>649,394</u>
Net Position - End of Year					<u>\$ 696,740</u>

The notes are an integral part of the statements.

Township of Riley

Governmental Funds

Balance Sheet

March 31, 2015

	Special Revenue Funds				
General Fund	Waste Disposal Fund	Parks & Recreation Fund	Building Inspection Fund	Total Governmental Funds	
<u>Assets & Deferred Outflows of Resources</u>					
<u>Assets</u>					
Cash & Cash Equivalents	\$ 236,215	\$ 154,484	\$ 28,069	\$ 14,874	\$ 433,642
Property Tax Receivable	4,925	12,496	-	-	17,421
Accounts Receivable - State Shared Revenue	37,399	-	-	-	37,399
Prepaid Expenses	43,983	-	-	-	43,983
Due From Other Funds	3,666	12,672	-	-	16,338
Total Assets	326,188	179,652	28,069	14,874	548,783
<u>Deferred Outflows of Resources</u>					
Total Assets & Deferred Outflows	\$ 326,188	\$ 179,652	\$ 28,069	\$ 14,874	\$ 548,783
<u>Liabilities, Deferred Inflows of Resources & Fund Equity</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 6,965	\$ -	\$ 136	\$ 425	\$ 7,525
Due To Other Funds	12,672	-	171	-	12,843
Total Liabilities	19,637	-	307	425	20,368
<u>Deferred Inflows of Resources</u>					
Total Liabilities, Def. Inflows & Fund Equity	-	-	-	-	-
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable	43,983	-	-	-	43,983
Committed For:					
Township Hall	22,815	-	-	-	22,815
Restricted For:					
Public Safety - Building Inspection	-	-	-	14,450	14,450
Public Works - Waste Disposal	-	179,652	-	-	179,652
Recreation & Culture	-	-	27,762	-	27,762
Unassigned	239,753	-	-	-	239,753
Total Fund Equity	306,552	179,652	27,762	14,450	528,415
Total Liabilities, Def. Inflows & Fund Equity	\$ 326,188	\$ 179,652	\$ 28,069	\$ 14,874	\$ 548,783

The notes are an integral part of the statements.

Township of Riley
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Position
For The Fiscal Year Ended March 31, 2015

Total Fund Balances for Governmental Funds and Equipment Fund	\$ 528,415
Amounts reported for governmental activities in the statement of Net Position are different because:	
Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	(198,265)
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	<u>366,590</u>
Net Position of Governmental Activities	<u><u>\$ 696,740</u></u>

The notes are an integral part of the statements.

Township of Riley
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For The Fiscal Year Ended March 31, 2015

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General Fund	Waste Disposal Fund	Parks & Recreation Fund	Building Inspection Fund	
<u>Revenues</u>					
Property Taxes & Special Assessments	\$ 110,223	\$ 222,368	\$ -	\$ -	\$ 332,591
Intergovernmental Revenues	257,301	-	13,807	-	271,108
Licenses, Permits & Fees	-	-	-	25,080	25,080
Charges for Services	4,637	-	-	-	4,637
Interest Earnings	17	7	3	2	29
Fire Runs	13,440	-	-	-	13,440
Rents & Royalties	25	-	-	-	25
Other Revenues	7,627	-	242	-	7,868
<u>Total Revenues</u>	<u>393,270</u>	<u>222,375</u>	<u>14,051</u>	<u>25,082</u>	<u>654,778</u>
<u>Expenditures</u>					
General Government	175,319	-	-	-	175,319
Public Safety	97,393	-	-	26,648	124,041
Public Works	50,512	222,516	-	-	273,028
Recreation & Culture	87	-	13,464	-	13,551
Debt Service - Principal	25,884	-	-	-	25,884
Debt Service - Interest	10,345	-	-	-	10,345
Capital Outlay	-	-	4,938	-	4,938
<u>Total Expenditures</u>	<u>359,541</u>	<u>222,516</u>	<u>18,401</u>	<u>26,648</u>	<u>627,106</u>
Excess of Revenues Over (Under) Expenditures	33,729	(141)	(4,350)	(1,567)	27,672
<u>Other Financing Sources (Uses)</u>					
Transfers In (Out)	-	-	-	-	-
Net Change in Fund Balances	33,729	(141)	(4,350)	(1,567)	27,672
<u>Fund Balances - Beginning of Year</u>	<u>272,822</u>	<u>179,793</u>	<u>32,111</u>	<u>16,016</u>	<u>500,743</u>
<u>Fund Balances - End of Year</u>	<u>\$ 306,552</u>	<u>\$ 179,652</u>	<u>\$ 27,762</u>	<u>\$ 14,450</u>	<u>\$ 528,415</u>

The notes are an integral part of the statements.

Township of Riley
 Governmental Funds
 Reconciliation of Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For The Fiscal Year Ended March 31, 2015

Net Change in Fund Balances - Total Governmental Funds and Equipment Fund	\$	27,672
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation</p>		4,938
<p>Repayment of Loan Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)</p>		25,884
<p>Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds</p>		<u>(11,148)</u>
Change in Net Position of Governmental Activities	\$	<u><u>47,346</u></u>

Township of Riley
 Fiduciary Funds
 Statement of Fiduciary Net Position
 March 31, 2015

	<u>Fiduciary Fund Types</u>		<u>Totals March 31, 2015</u>
	<u>Agency Funds</u>		
	<u>Trust & Agency Fund</u>	<u>Current Tax Collection Fund</u>	
<u>Assets</u>			
Cash - Savings & Certificates	\$ 32,175	\$ 745	\$ 32,920
Due From Other Funds	-	-	-
<u>Total Assets</u>	<u>\$ 32,175</u>	<u>\$ 745</u>	<u>\$ 32,920</u>
<u>Liabilities</u>			
Due To General Fund	\$ 2,750	\$ 745	\$ 3,495
Due To Others	29,425	-	29,425
<u>Total Liabilities</u>	<u>\$ 32,175</u>	<u>\$ 745</u>	<u>\$ 32,920</u>

The notes are an integral part of the statements.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

1. Summary of Significant Accounting Policies

The accounting policies of the Township of Riley, St. Clair County, Michigan (the “Township”) 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 the Township of Riley, St. Clair County, Michigan:

Financial Reporting Entity

The Township of Riley was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Riley (the primary government) and its component units.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported 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.

The Township reports the following major governmental funds:

General Fund - 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.

Waste Disposal Fund – This fund accounts for collection of a special assessment and payment of waste disposal services.

Additionally, the Township reports the following fund types:

Agency Funds – These funds account for assets held for others in an agency capacity.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become 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, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Tax Revenues - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended March 31, 2015 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the Township totaled about \$103 million, on which taxes levied consisted of .7239 mills for operating purposes. This resulted in approximately \$75,000 for operations. This amount is recognized in the General Fund financial statements as tax revenue.

Vacation, Sick Leave and Other Compensated Absences - The Township does not have an agreement which requires the payment of compensation during absence from duty.

Inventories and Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements. Inventories of supplies are considered to be immaterial and are not recorded.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

1. Summary of Significant Accounting Policies - continued

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	15 to 50 years
Machinery & Equipment	7 to 10 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, issuance costs and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance Classification - In the fund financial statements, governmental funds report nonspendable fund balance for amounts of assets that will not be converted to cash soon enough to affect the current period; restrictions of fund balance for amounts that are legally restricted by outside parties or enabling legislation for use for a specific purpose; committed fund balance for constraints placed on resources by a formal action of the board; and assigned fund balance for constraints placed on resources by the Township's intent to be used for specific purposes.

- For *committed* fund balances, the Township's highest level of decision-making authority is the Board and it takes a Board's resolution to establish a fund balance commitment.
- For *assigned* fund balances, the Board can authorize to assign amounts to a specific purpose through a motion.
- The Township's policy is that the restricted amounts are considered to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.
- The Township's policy is if it has *committed*, *assigned* or *unassigned* fund balance available when it incurs expenditure it will use up the fund balance in the order of committed, assigned and then unassigned.
- The Township does not have a policy with respect to a minimum fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

2. Stewardship, Compliance and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on an accrual basis, which is consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the fiscal year ended March 31, 2015, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General Government	158,984	175,319	16,335
Public Safety	95,750	97,393	1,643
Recreation & Culture	-	87	87
Debt Service	-	36,229	36,229
Waste Disposal Fund			
Public Works	222,200	222,516	316

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit 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 Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At the fiscal year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary - Trust & Agency Funds	Total Primary Government
Cash & Cash Equivalents	\$ 433,642	\$ 32,920	\$ 466,562

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 466,562

The bank balance of the primary government's deposits is \$466,562, of which \$250,845 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township has a deposit policy for custodial credit risk. At the fiscal year end, the Township had approximately \$215,717 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. 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.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At the fiscal year end, there were no investments reported in the basic financial statements.