

TOWNSHIP OF RILEY
St. Clair County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2012

TOWNSHIP OF RILEY
St. Clair County, Michigan

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INDEPENDENT AUDITOR'S REPORT

June 22, 2012

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Riley, St. Clair County, Michigan as of and for the year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Riley's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Riley, St. Clair County, Michigan as of March 31, 2012, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2012

The Management's Discussion and Analysis report of the Township of Riley covers the Township's financial performance during the year ended March 31, 2012.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2012, totaled \$576,341.65 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$637,433.62 from governmental activities. Governmental activities had a \$25,347.97 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Ordinance Fund, the Building Permit Fund, the Waste Disposal Fund, the Building Fund, and the Current Tax Collection Fund.

TOWNSHIP OF RILEY
St. Clair County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2012

	Total Governmental Activities 2011	Total Governmental Activities 2012
Current Assets	422 140	441 366
Capital Assets	410 307	396 991
Total Assets	832 447	838 357
Current Liabilities	1 453	2 015
Non-current Liabilities	280 000	260 000
Total Liabilities	281 453	262 015
Net Assets:		
Invested in Capital Assets	130 307	136 991
Unrestricted	420 687	439 351
Total Net Assets	550 994	576 342
	Total Governmental Activities 2011	Total Governmental Activities 2012
Program Revenues:		
Fees and Charges for Services	303 913	289 645
General Revenues:		
Property Taxes	86 257	91 854
State Revenue Sharing	201 846	250 791
Interest	804	242
Miscellaneous	29 092	4 902
Total Revenues	621 912	637 434
Program Expenses:		
Legislative	2 599	3 164
General Government	196 290	208 317
Public Safety	94 147	100 661
Public Works	257 764	265 139
Recreation and Culture	10 196	21 123
Interest on Long-Term Debt	14 522	13 682
Total Expenses	575 518	612 086
Change in Net Assets	46 394	25 348
Net Assets, April 1	504 600	550 994
Net Assets, March 31	550 994	576 342

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2012

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Building Permit Fund, the Waste Disposal Fund, and the Building Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

We continue to pay our general long-term debt. The Township issued bonds in the amount of \$400,000.00 on July 1, 2002, for the purpose of paying part of the cost to acquire, renovate, furnish, and equip a building and land to serve as the new Township offices.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$43,313.53 and Fire protection which incurred expenses of \$81,751.16.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$20,000.00 of principal on the general obligation limited tax bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of State revenue sharing has been increased slightly due to an increase in population, but is still uncertain, it represents 55% of our income. We have not had any significant growth in building this past year. The current state of the economy is affecting the revenues and the growth within the Township. There is little demand for infrastructure, except good roads, ditches and parks.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at (810)392-3585 or the Township Treasurer at (810)392-2326.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2012

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	425 581 02
Taxes receivable	<u>15 785 15</u>
Total Current Assets	<u>441 366 17</u>
NON-CURRENT ASSETS:	
Capital Assets	522 128 31
Less: Accumulated Depreciation	<u>(125 137 80)</u>
Total Non-current Assets	<u>396 990 51</u>
TOTAL ASSETS	<u><u>838 356 68</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>2 015 03</u>
Total Current Liabilities	<u>2 015 03</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>260 000 00</u>
Total Non-current Liabilities	<u>260 000 00</u>
Total Liabilities	<u>262 015 03</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	136 990 51
Unrestricted	<u>439 351 14</u>
Total Net Assets	<u>576 341 65</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>838 356 68</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2012

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 164 00	-	(3 164 00)
General government	208 316 55	41 140 71	(167 175 84)
Public safety	100 660 59	34 646 29	(66 014 30)
Public works	265 138 73	213 858 07	(51 280 66)
Culture and recreation	21 123 28	-	(21 123 28)
Interest on long-term debt	13 682 50	-	(13 682 50)
	<u>612 085 65</u>	<u>289 645 07</u>	<u>(322 440 58)</u>
Total Governmental Activities			
General Revenues:			
Property taxes			91 853 51
State revenue sharing			250 790 99
Interest			242 11
Miscellaneous			<u>4 901 94</u>
			<u>347 788 55</u>
Total General Revenues			
Change in net assets			25 347 97
Net assets, beginning of year			<u>550 993 68</u>
Net Assets, End of Year			<u><u>576 341 65</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2012

	General	Waste Disposal	Other Funds (Building)
<u>Assets</u>			
Cash in bank	240 957 02	152 807 07	22 803 76
Taxes receivable	4 637 65	11 147 50	-
Due from other funds	6 974 26	-	-
Total Assets	252 568 93	163 954 57	22 803 76
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	2 015 03	-	-
Due to other funds	-	6 835 17	-
Total liabilities	2 015 03	6 835 17	-
Fund equity:			
Fund balances:			
Restricted	-	157 119 40	-
Assigned	-	-	22 803 76
Unassigned	250 553 90	-	-
Total fund equity	250 553 90	157 119 40	22 803 76
Total Liabilities and Fund Equity	252 568 93	163 954 57	22 803 76

The accompanying notes are an integral part of these financial statements.

<u>Other Funds (Building Permit)</u>	<u>Total</u>
8 874 08	425 441 93
-	15 785 15
<u>-</u>	<u>6 974 26</u>
<u>8 874 08</u>	<u>448 201 34</u>

-	2 015 03
-	6 835 17
<u>-</u>	<u>8 850 20</u>

-	157 119 40
8 874 08	31 677 84
-	250 553 90
<u>8 874 08</u>	<u>439 351 14</u>
<u>8 874 08</u>	<u>448 201 34</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2012

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	439 351 14
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	522 128 31
Accumulated depreciation	(125 137 80)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	<u>(260 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>576 341 65</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2012

	General	Waste Disposal	Other Funds (Building)
Revenues:			
Property taxes	91 853 51	-	-
Licenses and permits	-	-	-
State revenue sharing	250 790 99	-	-
Charges for services	53 508 25	-	-
Interest	159 64	63 61	16 02
Special assessments	-	213 858 07	-
Miscellaneous	4 901 94	-	-
Total revenues	401 214 33	213 921 68	16 02
Expenditures:			
Legislative:			
Township Board	3 164 00	-	-
General government:			
Supervisor	14 799 96	-	-
Elections	1 330 53	-	-
Assessor	24 254 92	-	-
Clerk	18 599 35	-	-
Board of Review	2 123 60	-	-
Treasurer	24 270 02	-	-
Building and grounds	7 896 46	-	-
Unallocated	105 818 38	-	-
Public safety:			
Fire protection	81 751 16	-	-
Protective inspection	-	-	-
Planning and zoning	2 720 65	-	-
Public works:			
Highways and streets	43 313 53	-	-
Street lights	4 044 32	-	-
Drains	4 055 58	-	-
Sanitation	-	213 725 30	-
Culture and recreation:			
Parks and recreation	18 088 15	-	-
Debt service	33 682 50	-	-
Total expenditures	389 913 11	213 725 30	-
Excess (deficiency) of revenues over expenditures	11 301 22	196 38	16 02
Fund balances, April 1, 2011	239 252 68	156 923 02	22 787 74
Fund Balances, March 31, 2012	250 553 90	157 119 40	22 803 76

The accompanying notes are an integral part of these financial statements.

<u>Other Funds (Building Permit)</u>	<u>Total</u>
-	91 853 51
22 278 75	22 278 75
-	250 790 99
-	53 508 25
2 84	242 11
-	213 858 07
-	4 901 94
<u>22 281 59</u>	<u>637 433 62</u>

-	3 164 00
-	14 799 96
-	1 330 53
-	24 254 92
-	18 599 35
-	2 123 60
-	24 270 02
-	7 896 46
-	105 818 38
-	81 751 16
15 130 46	15 130 46
-	2 720 65
-	43 313 53
-	4 044 32
-	4 055 58
-	213 725 30
-	18 088 15
-	33 682 50
<u>15 130 46</u>	<u>618 768 87</u>

7 151 13	18 664 75
<u>1 722 95</u>	<u>420 686 39</u>
<u>8 874 08</u>	<u>439 351 14</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2012

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 18 664 75

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(13 316 78)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>20 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>25 347 97</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Riley, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Riley. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) 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 taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for specific construction projects of the Township.

Fiduciary Funds

The Current Tax Collection and Ordinance Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2011 tax roll millage rate was .7239 mills, and the taxable value was \$105,565,818.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Furniture and equipment	7-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township 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; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two financial institutions for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>458 254 83</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	250 330 80
Uninsured and Uncollateralized	<u>206 533 73</u>
Total Deposits	<u>456 864 53</u>

The Township did not have any investments at March 31, 2012.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/12</u>
<u>Governmental Activities:</u>				
Land	190 309 91	-	-	190 309 91
Buildings	280 273 00	-	-	280 273 00
Equipment	<u>51 545 40</u>	<u>-</u>	<u>-</u>	<u>51 545 40</u>
Total	522 128 31	-	-	522 128 31
Accumulated Depreciation	<u>(111 821 02)</u>	<u>(13 316 78)</u>	<u>-</u>	<u>(125 137 80)</u>
Net Capital Assets	<u>410 307 29</u>	<u>(13 316 78)</u>	<u>-</u>	<u>396 990 51</u>

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/12</u>
Bonds Payable	<u>280 000 00</u>	<u>-</u>	<u>20 000 00</u>	<u>260 000 00</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

Note 6 – 2002 General Obligation Limited Tax Bonds Payable

On July 1, 2002, the Township of Riley issued bonds in the amount of \$400,000.00 for the purpose of paying part of the cost to acquire, renovate, furnish and equip a building and site to serve as new Township offices. The Township has pledged its limited tax full faith and credit for the prompt payment of the bonds. The bonds bear interest at rates that vary from 4.2% to 6.2% per annum, payable semi-annually. The principal balance outstanding as of March 31, 2011, was \$280,000.00.

<u>Principal Due Date</u>	<u>Interest Amount</u>	<u>Rate</u>
4-1-13	25 000 00	4.35
4-1-14	25 000 00	4.50
4-1-15	25 000 00	4.60
4-1-16	25 000 00	4.70
4-1-17	30 000 00	4.80
4-1-18	30 000 00	4.90
4-1-19	30 000 00	5.00
4-1-20	30 000 00	5.10
4-1-21	<u>40 000 00</u>	5.20
Total	<u>260 000 00</u>	

Note 7 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	6 835 17	Waste Disposal	6 835 17
General	<u>139 09</u>	Current Tax Collection	<u>139 09</u>
Total	<u>6 974 26</u>	Total	<u>6 974 26</u>

Note 8 – Deferred Compensation Plan

The Township of Riley offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. Security Benefit is an agent of the Township of Riley for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Riley's financial statements. Each person elects the amount to be withheld from their pay. Withholdings range from 3.75% to 100% of gross wages. The Township contributes 3.75% of each person's gross wages. During the year ended March 31, 2012, the Township's contribution was \$4,937.40.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

Note 9 – Retirement Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes twenty-four percent of each participating employee's wages to the plan. During the year ended March 31, 2012, the Township's retirement contribution was \$23,356.10.

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Building Permits

As of March 31, 2012, the Township had building permit revenues of \$22,278.75 and building permit expenses of \$15,130.46.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	85 000 00	85 000 00	91 853 51	6 853 51
State revenue sharing	200 000 00	200 000 00	250 790 99	50 790 99
Charges for services	35 100 00	35 100 00	53 508 25	18 408 25
Interest	-	-	159 64	159 64
Miscellaneous	35 630 00	35 630 00	4 901 94	(30 728 06)
Total revenues	355 730 00	355 730 00	401 214 33	45 484 33
Expenditures:				
Legislative:				
Township Board	3 100 00	3 264 00	3 164 00	(100 00)
General government:				
Supervisor	15 200 00	15 200 00	14 799 96	(400 04)
Elections	4 200 00	4 200 00	1 330 53	(2 869 47)
Assessor	23 600 00	25 619 92	24 254 92	(1 365 00)
Clerk	18 571 00	18 688 62	18 599 35	(89 27)
Board of Review	2 500 00	2 500 00	2 123 60	(376 40)
Treasurer	23 367 00	25 330 61	24 270 02	(1 060 59)
Building and grounds	9 500 00	9 500 00	7 896 46	(1 603 54)
Unallocated	128 100 00	125 867 42	105 818 38	(20 049 04)
Public safety:				
Fire protection	81 751 16	81 751 16	81 751 16	-
Planning and zoning	4 100 00	4 100 00	2 720 65	(1 379 35)
Public works:				
Highways and streets	40 000 00	43 313 53	43 313 53	-
Street lights	4 000 00	4 044 32	4 044 32	-
Drains	4 000 00	4 055 58	4 055 58	-
Culture and recreation:				
Parks and recreation	12 500 00	21 002 32	18 088 15	(2 914 17)
Debt service	33 682 50	33 682 50	33 682 50	-
Capital outlay	2 000 00	2 000 00	-	(2 000 00)
Total expenditures	410 171 66	424 119 98	389 913 11	(34 206 87)
Excess (deficiency) of revenues over expenditures	(54 441 66)	(68 389 98)	11 301 22	79 691 20
Fund balance, April 1, 2011	144 743 44	144 743 44	239 252 68	94 509 24
Fund Balance, March 31, 2012	89 301 78	76 353 46	250 553 90	174 200 44

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – WASTE DISPOSAL FUND
Year ended March 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	200 00	200 00	63 61	(136 39)
Special assessments	<u>216 000 00</u>	<u>216 000 00</u>	<u>213 858 07</u>	<u>(2 141 93)</u>
Total revenues	<u>216 200 00</u>	<u>216 200 00</u>	<u>213 921 68</u>	<u>(2 278 32)</u>
Expenditures:				
Public works:				
Sanitation	<u>215 000 00</u>	<u>215 000 00</u>	<u>213 725 30</u>	<u>(1 274 70)</u>
Total expenditures	<u>215 000 00</u>	<u>215 000 00</u>	<u>213 725 30</u>	<u>(1 274 70)</u>
Excess (deficiency) of revenues over expenditures	1 200 00	1 200 00	196 38	(1 003 62)
Fund balance, April 1, 2011	<u>-</u>	<u>-</u>	<u>156 923 02</u>	<u>156 923 02</u>
Fund Balance, March 31, 2012	<u><u>1 200 00</u></u>	<u><u>1 200 00</u></u>	<u><u>157 119 40</u></u>	<u><u>155 919 40</u></u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year ended March 31, 2012

	<u>Balance</u> <u>4/1/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/12</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	200 40	3 048 093 14	3 047 980 64	312 90
<u>Liabilities</u>				
Due to other funds	200 40	309 188 90	309 250 21	139 09
Due to others	-	2 738 904 24	2 738 730 43	173 81
Total Liabilities	<u>200 40</u>	<u>3 048 093 14</u>	<u>3 047 980 64</u>	<u>312 90</u>
<u>ORDINANCE FUND</u>				
<u>Assets</u>				
Cash in Bank	21 750 00	20 775 24	10 025 24	32 500 00
<u>Liabilities</u>				
Due to other funds	-	25 24	25 24	-
Due to others	21 750 00	20 750 00	10 000 00	32 500 00
Total Liabilities	<u>21 750 00</u>	<u>20 775 24</u>	<u>10 025 24</u>	<u>32 500 00</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	21 950 40	3 068 868 38	3 058 005 88	32 812 90
<u>Liabilities</u>				
Due to other funds	200 40	309 214 14	309 275 45	139 09
Due to others	21 750 00	2 759 654 24	2 748 730 43	32 673 81
Total Liabilities	<u>21 950 40</u>	<u>3 068 868 38</u>	<u>3 058 005 88</u>	<u>32 812 90</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2012

Cash in bank – beginning of year	<u>200 40</u>
Cash receipts:	
Property taxes	3 047 954 05
Interest	<u>139 09</u>
Total cash receipts	<u>3 048 093 14</u>
Total beginning balance and cash receipts	<u>3 048 293 54</u>
Cash disbursements:	
Armada Area Schools	135 419 35
Capac Public Schools	224 566 73
Macomb ISD	42 336 71
Memphis Community Schools	468 864 83
Yale Area Schools	11 868 87
St. Clair County	1 848 084 30
Township General Fund	106 916 99
Township Waste Disposal Fund	202 333 22
Refunds	<u>7 589 64</u>
Total cash disbursements	<u>3 047 980 64</u>
Cash in Bank – End of Year	<u><u>312 90</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 22, 2012

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

We have audited the financial statements of the Township of Riley for the year ended March 31, 2012. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Riley in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

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

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY
(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements for the year ended March 31, 2012.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants