

TOWNSHIP OF RILEY
St. Clair County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2013

TOWNSHIP OF RILEY
St. Clair County, Michigan

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INDEPENDENT AUDITOR'S REPORT

May 2, 2013

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, 2013, 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, 2013, 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, 2013

The Management's Discussion and Analysis report of the Township of Riley covers the Township's financial performance during the year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2013, totaled \$612,917.03 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$635,764.03 from governmental activities. Governmental activities had a \$36,575.38 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, 2013

	Total Governmental Activities 2013	Total Governmental Activities 2012
Current Assets	464 243	441 366
Capital Assets	383 674	396 991
Total Assets	847 917	838 357
Current Liabilities	-	2 015
Non-current Liabilities	235 000	260 000
Total Liabilities	235 000	262 015
Net Assets:		
Invested in Capital		
Assets	148 674	136 991
Unrestricted	464 243	439 351
Total Net Assets	612 917	576 342
	Total Governmental Activities 2013	Total Governmental Activities 2012
Program Revenues:		
Fees and Charges for Services	300 264	289 645
General Revenues:		
Property Taxes	87 191	91 854
State Revenue Sharing	248 217	250 791
Interest	92	242
Miscellaneous	-	4 902
Total Revenues	635 764	637 434
Program Expenses:		
Legislative	3 132	3 164
General Government	215 356	208 317
Public Safety	100 505	100 661
Public Works	258 597	265 139
Recreation and Culture	8 904	21 123
Interest on Long-Term Debt	12 695	13 682
Total Expenses	599 189	612 086
Change in Net Assets	36 575	25 348
Net Assets, April 1	576 342	550 994
Net Assets, March 31	612 917	576 342

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2013

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 \$38,578.84 and Fire protection which incurred expenses of \$81,939.42.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$25,000.00 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 a significant portion 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, 2013

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	446 371 12
Taxes receivable	<u>17 872 18</u>
Total Current Assets	<u>464 243 30</u>
NON-CURRENT ASSETS:	
Capital Assets	522 128 31
Less: Accumulated Depreciation	<u>(138 454 58)</u>
Total Non-current Assets	<u>383 673 73</u>
TOTAL ASSETS	<u><u>847 917 03</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>235 000 00</u>
Total Non-current Liabilities	<u>235 000 00</u>
Total Liabilities	<u>235 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	148 673 73
Unrestricted	<u>464 243 30</u>
Total Net Assets	<u>612 917 03</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>847 917 03</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, 2013

	<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	3 131 76	-	(3 131 76)
General government	215 355 50	34 947 26	(180 408 24)
Public safety	100 505 39	42 769 95	(57 735 44)
Public works	258 597 28	222 546 72	(36 050 56)
Culture and recreation	8 903 72	-	(8 903 72)
Interest on long-term debt	12 695 00	-	(12 695 00)
	<u>599 188 65</u>	<u>300 263 93</u>	<u>(298 924 72)</u>
Total Governmental Activities			
General Revenues:			
Property taxes			87 191 07
State revenue sharing			248 216 98
Interest			<u>92 05</u>
Total General Revenues			<u>335 500 10</u>
Change in net assets			36 575 38
Net assets, beginning of year			<u>576 341 65</u>
Net Assets, End of Year			<u><u>612 917 03</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, 2013

	General	Waste Disposal	Other Funds (Building)
<u>Assets</u>			
Cash in bank	257 034 03	155 067 54	22 810 15
Taxes receivable	5 200 37	12 671 81	-
Due from other funds	112 92	-	-
Total Assets	262 347 32	167 739 35	22 810 15
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Restricted	-	167 739 35	-
Assigned	-	-	22 810 15
Unassigned	262 347 32	-	-
Total fund equity	262 347 32	167 739 35	22 810 15
Total Liabilities and Fund Equity	262 347 32	167 739 35	22 810 15

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

<u>Other Funds (Building Permit)</u>	<u>Total</u>
11 346 48	446 258 20
-	17 872 18
<u>-</u>	<u>112 92</u>
<u>11 346 48</u>	<u>464 243 30</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
-	167 739 35
11 346 48	34 156 63
<u>-</u>	<u>262 347 32</u>
<u>11 346 48</u>	<u>464 243 30</u>
<u>11 346 48</u>	<u>464 243 30</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2013

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	464 243 30
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	(138 454 58)
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>(235 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>612 917 03</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, 2013

	General	Waste Disposal	Other Funds (Building)
Revenues:			
Property taxes	87 191 07	-	-
Licenses and permits	-	-	-
State revenue sharing	248 216 98	-	-
Charges for services	59 466 24	-	-
Interest	62 95	19 43	6 39
Special assessments	-	<u>222 546 72</u>	-
Total revenues	<u>394 937 24</u>	<u>222 566 15</u>	<u>6 39</u>
Expenditures:			
Legislative:			
Township Board	3 131 76	-	-
General government:			
Supervisor	15 601 90	-	-
Elections	6 150 20	-	-
Assessor	30 911 75	-	-
Clerk	20 599 83	-	-
Board of Review	1 209 42	-	-
Treasurer	19 914 79	-	-
Building and grounds	14 932 56	-	-
Unallocated	96 811 72	-	-
Public safety:			
Fire protection	81 939 42	-	-
Protective inspection	-	-	-
Planning and zoning	1 725 80	-	-
Public works:			
Highways and streets	38 578 84	-	-
Street lights	4 015 87	-	-
Drains	4 056 37	-	-
Sanitation	-	211 946 20	-
Culture and recreation:			
Parks and recreation	5 868 59	-	-
Debt service	37 695 00	-	-
Total expenditures	<u>383 143 82</u>	<u>211 946 20</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	11 793 42	10 619 95	6 39
Fund balances, April 1, 2012	<u>250 553 90</u>	<u>157 119 40</u>	<u>22 803 76</u>
Fund Balances, March 31, 2013	<u>262 347 32</u>	<u>167 739 35</u>	<u>22 810 15</u>

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

<u>Other Funds (Building Permit)</u>	<u>Total</u>
-	87 191 07
18 250 97	18 250 97
-	248 216 98
-	59 466 24
3 28	92 05
-	<u>222 546 72</u>
<u>18 254 25</u>	<u>635 764 03</u>

-	3 131 76
-	15 601 90
-	6 150 20
-	30 911 75
-	20 599 83
-	1 209 42
-	19 914 79
-	14 932 56
-	96 811 72
-	81 939 42
15 781 85	15 781 85
-	1 725 80
-	38 578 84
-	4 015 87
-	4 056 37
-	211 946 20
-	5 868 59
-	<u>37 695 00</u>
<u>15 781 85</u>	<u>610 871 87</u>

2 472 40	24 892 16
<u>8 874 08</u>	<u>439 351 14</u>
<u>11 346 48</u>	<u>464 243 30</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, 2013

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	24 892 16
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>25 000 00</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>36 575 38</u></u>

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

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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, 2013

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 2012 tax roll millage rate was .7239 mills, and the taxable value was \$100,342,081.00.

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, 2013

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, 2013

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>479 024 98</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	256 088 78
Uninsured and Uncollateralized	<u>247 054 71</u>
Total Deposits	<u>503 143 49</u>

The Township did not have any investments at March 31, 2013.

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, 2013

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 4/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/13</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>(125 137 80)</u>	<u>(13 316 78)</u>	<u>-</u>	<u>(138 454 58)</u>
Net Capital Assets	<u>396 990 51</u>	<u>(13 316 78)</u>	<u>-</u>	<u>383 673 73</u>

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/13</u>
Bonds Payable	<u>260 000 00</u>	<u>-</u>	<u>25 000 00</u>	<u>235 000 00</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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, 2013, was \$235,000.00.

<u>Principal Due Date</u>	<u>Interest Amount</u>	<u>Rate</u>
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>235 000 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	<u>112 92</u>	Current Tax Collection	<u>112 92</u>
Total	<u>112 92</u>	Total	<u>112 92</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, 2013, the Township's contribution was \$5,241.80.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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, 2013, the Township's retirement contribution was \$1,624.90.

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, 2013, the Township had building permit revenues of \$18,250.97 and building permit expenses of \$15,781.85.

Note 12 - Budget Variances

For the year ended March 31, 2013, the Township exceeded the amounts budgeted for the following activities:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund:			
Supervisor	15 200 00	15 601 90	401 90
Elections	4 400 00	6 150 20	1 750 20
Assessor	25 500 00	30 911 75	5 411 75
Clerk	18 941 00	20 599 83	1 658 83
Building and grounds	10 500 00	14 932 56	4 432 56
Debt Service	34 150 00	37 695 00	3 545 00

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	77 637 00	77 637 00	87 191 07	9 554 07
State revenue sharing	246 000 00	246 000 00	248 216 98	2 216 98
Charges for services	48 342 50	48 342 50	59 466 24	11 123 74
Interest	100 00	100 00	62 95	(37 05)
Miscellaneous	<u>35 900 00</u>	<u>35 900 00</u>	-	<u>(35 900 00)</u>
Total revenues	<u>407 979 50</u>	<u>407 979 50</u>	<u>394 937 24</u>	<u>(13 042 26)</u>
Expenditures:				
Legislative:				
Township Board	3 500 00	3 500 00	3 131 76	(368 24)
General government:				
Supervisor	15 200 00	15 200 00	15 601 90	401 90
Elections	4 400 00	4 400 00	6 150 20	1 750 20
Assessor	25 500 00	25 500 00	30 911 75	5 411 75
Clerk	18 941 00	18 941 00	20 599 83	1 658 83
Board of Review	1 500 00	1 500 00	1 209 42	(290 58)
Treasurer	23 591 00	23 591 00	19 914 79	(3 676 21)
Building and grounds	10 500 00	10 500 00	14 932 56	4 432 56
Unallocated	129 100 00	129 100 00	96 811 72	(32 288 28)
Public safety:				
Fire protection	83 500 00	83 500 00	81 939 42	(1 560 58)
Planning and zoning	6 100 00	6 100 00	1 725 80	(4 374 20)
Public works:				
Highways and streets	40 000 00	40 000 00	38 578 84	(1 421 16)
Street lights	4 100 00	4 100 00	4 015 87	(84 13)
Drains	11 375 00	11 375 00	4 056 37	(7 318 63)
Culture and recreation:				
Parks and recreation	14 000 00	14 000 00	5 868 59	(8 131 41)
Debt service	34 150 00	34 150 00	37 695 00	3 545 00
Capital outlay	<u>2 000 00</u>	<u>2 000 00</u>	-	<u>(2 000 00)</u>
Total expenditures	<u>427 457 00</u>	<u>427 457 00</u>	<u>383 143 82</u>	<u>(44 313 18)</u>
Excess (deficiency) of revenues over expenditures	(19 477 50)	(19 477 50)	11 793 42	31 270 92
Fund balance, April 1, 2012	<u>155 569 87</u>	<u>155 569 87</u>	<u>250 553 90</u>	<u>94 984 03</u>
Fund Balance, March 31, 2013	<u><u>136 092 37</u></u>	<u><u>136 092 37</u></u>	<u><u>262 347 32</u></u>	<u><u>126 254 95</u></u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – WASTE DISPOSAL FUND
Year ended March 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	100 00	100 00	19 43	(80 57)
Special assessments	213 400 00	213 400 00	222 546 72	9 146 72
Total revenues	213 500 00	213 500 00	222 566 15	9 066 15
Expenditures:				
Public works:				
Sanitation	213 000 00	213 000 00	211 946 20	(1 053 80)
Total expenditures	213 000 00	213 000 00	211 946 20	(1 053 80)
Excess (deficiency) of revenues over expenditures	500 00	500 00	10 619 95	10 119 95
Fund balance, April 1, 2012	-	-	157 119 40	157 119 40
Fund Balance, March 31, 2013	500 00	500 00	167 739 35	167 239 35

TOWNSHIP OF RILEY
St. Clair County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year ended March 31, 2013

	<u>Balance</u> <u>4/1/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/13</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	312 90	3 001 047 26	2 997 543 38	3 816 78
<u>Liabilities</u>				
Due to other funds	139 09	312 313 22	312 339 39	112 92
Due to others	173 81	2 688 734 04	2 685 203 99	3 703 86
Total Liabilities	312 90	3 001 047 26	2 997 543 38	3 816 78
<u>ORDINANCE FUND</u>				
<u>Assets</u>				
Cash in Bank	32 500 00	6 450 00	10 000 00	28 950 00
<u>Liabilities</u>				
Due to other funds	-	-	-	-
Due to others	32 500 00	6 450 00	10 000 00	28 950 00
Total Liabilities	32 500 00	6 450 00	10 000 00	28 950 00
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	32 812 90	3 007 497 26	3 007 543 38	32 766 78
<u>Liabilities</u>				
Due to other funds	139 09	312 313 22	312 339 39	112 92
Due to others	32 673 81	2 695 184 04	2 695 203 99	32 653 86
Total Liabilities	32 812 90	3 007 497 26	3 007 543 38	32 766 78

TOWNSHIP OF RILEY
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2013

Cash in bank – beginning of year	<u>312 90</u>
Cash receipts:	
Property taxes	3 000 934 34
Interest	<u>112 92</u>
Total cash receipts	<u>3 001 047 26</u>
Total beginning balance and cash receipts	<u>3 001 360 16</u>
Cash disbursements:	
Armada Area Schools	129 434 45
Capac Public Schools	215 215 78
Macomb ISD	40 284 85
Memphis Community Schools	475 336 54
Yale Area Schools	12 820 04
St. Clair County	1 800 240 71
Township General Fund	102 464 48
Township Waste Disposal Fund	209 874 91
Refunds	<u>11 871 62</u>
Total cash disbursements	<u>2 997 543 38</u>
Cash in Bank – End of Year	<u><u>3 816 78</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 2, 2013

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, 2013. 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.

BUDGET VARIANCES

For the year ended March 31, 2013, the Township exceeded the amounts budgeted for multiple activities. We recommend that the Township amend the budget as necessary to comply with state law.

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, 2013.

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