

Township of Riley

St. Clair County, Michigan

Audited Financial Report
March 31, 2017

KING & KING CPAs LLC

Marlette - Imlay City
Michigan

Township of Riley
 Annual Financial Report
 For The Fiscal Year Ended March 31, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund of the **Township of Riley**, Michigan as of and for the fiscal year ended March 31, 2017, and the related notes to the financial statement, which collectively comprise the Township's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund of the **Township of Riley**, Michigan as of March 31, 2017, and the respective changes in financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and major fund budgetary comparison schedule as identified in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

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

The Other Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the basic financial statements as a whole.

Lehn King

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

May 24, 2017

Township of Riley

Statement of Net Position

March 31, 2017

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 472,901
Accounts Receivable	91,377
Due From Other Funds (Net)	6,045
Prepaid Expenses	48,347
Capital Assets	
Nondepreciable Capital Assets	179,805
Depreciable Capital Assets	156,545
<u>Total Assets</u>	<u>955,021</u>
 <u>Deferred Outflows of Resources</u>	
	<u>-</u>
 <u>Liabilities</u>	
Accounts Payable	53,624
Current Portion of Long-Term Debt	34,295
Long-Term Debt	110,612
<u>Total Liabilities</u>	<u>198,531</u>
 <u>Deferred Inflows of Resources</u>	
	<u>-</u>
 <u>Net Position</u>	
Invested in Capital Assets - Net of Related Debt	191,443
Restricted For:	
Parks & Recreation	63,896
Waste Disposal	164,760
Building Inspection	4,392
Unrestricted	331,999
<u>Total Net Position</u>	<u>\$ 756,490</u>

The notes are an integral part of the statements.

Township of Riley
Statement of Activities
For The Fiscal Year Ended March 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Primary Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 192,029	\$ -	\$ -	\$ -	\$ (192,029)
Public Safety	145,594	63,018	-	-	(82,576)
Public Works	325,973	-	-	-	(325,973)
Recreation & Culture	22,467	-	-	-	(22,467)
Interest	8,720	-	-	-	(8,720)
<u>Total Governmental Activities</u>	<u>694,782</u>	<u>63,018</u>	<u>-</u>	<u>-</u>	<u>(631,764)</u>
General Revenues:					
Property Taxes					\$ 316,645
Intergovernmental Revenues					281,354
Interest					31
Other Revenues					55,667
Transfers					-
Total General Revenues, Special Items & Transfers					<u>653,696</u>
Change in Net Position					21,932
Net Position - Beginning of Year					<u>734,557</u>
Net Position - End of Year					<u>\$ 756,490</u>

The notes are an integral part of the statements.

Township of Riley

Governmental Funds

Balance Sheet

March 31, 2017

	Special Revenue Funds				Total Governmental Funds
	General Fund	Waste Disposal Fund	Parks & Recreation Fund	Nonmajor Governmental Building Inspection Fund	
<u>Assets & Deferred Outflows of Resources</u>					
<u>Assets</u>					
Cash & Cash Equivalents	\$ 237,801	\$ 139,530	\$ 89,097	\$ 6,473	\$ 472,901
Property Tax Receivable	5,396	12,558	-	-	17,954
Accounts Receivable	52,269	-	21,154	-	73,423
Prepaid Expenses	48,347	-	-	-	48,347
Due From Other Funds	7,909	12,672	-	-	20,581
<u>Total Assets</u>	<u>351,722</u>	<u>164,760</u>	<u>110,251</u>	<u>6,473</u>	<u>633,206</u>
<u>Deferred Outflows of Resources</u>					
<u>Total Assets & Deferred Outflows</u>	<u>\$ 351,722</u>	<u>\$ 164,760</u>	<u>\$ 110,251</u>	<u>\$ 6,473</u>	<u>\$ 633,206</u>
<u>Liabilities, Deferred Inflows of Resources & Fund Equity</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 7,052	\$ -	\$ 46,197	\$ 376	\$ 53,624
Due To Other Funds	12,672	-	159	1,705	14,536
<u>Total Liabilities</u>	<u>19,724</u>	<u>-</u>	<u>46,356</u>	<u>2,081</u>	<u>68,160</u>
<u>Deferred Inflows of Resources</u>					
<u>Total Inflows</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable	48,347	-	-	-	48,347
Committed For:					
Township Hall	-	-	-	-	-
Restricted For:					
Public Safety - Building Inspection	-	-	-	4,392	4,392
Public Works - Waste Disposal	-	164,760	-	-	164,760
Recreation & Culture	-	-	63,896	-	63,896
Unassigned	283,651	-	-	-	283,651
<u>Total Fund Equity</u>	<u>331,999</u>	<u>164,760</u>	<u>63,896</u>	<u>4,392</u>	<u>565,047</u>
<u>Total Liabilities, Deferred Inflows & Fund Equity</u>	<u>\$ 351,722</u>	<u>\$ 164,760</u>	<u>\$ 110,251</u>	<u>\$ 6,473</u>	<u>\$ 633,206</u>

The notes are an integral part of the statements.

Township of Riley
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Position
For The Fiscal Year Ended March 31, 2017

Total Fund Balances for Governmental Funds	\$ 565,047
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Long-term bonds payable are not due and payable in the current period and are not reported in the funds.	(144,907)
Capital assets used in Governmental Activities are not financial resources and are not reported in the funds.	<u>336,350</u>
Net Position of Governmental Activities	<u><u>\$ 756,490</u></u>

The notes are an integral part of the statements.

Township of Riley
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For The Fiscal Year Ended March 31, 2017

	<u>Special Revenue Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Waste Disposal Fund</u>	<u>Parks & Recreation Fund</u>	<u>Nonmajor Governmental Building Inspection Fund</u>	
<u>Revenues</u>					
Property Taxes & Special Assessments	\$ 114,529	\$ 202,116	\$ -	\$ -	\$ 316,645
Intergovernmental Revenues	266,994	-	14,360	-	281,354
Licenses, Permits & Fees	-	-	-	34,154	34,154
Charges for Services	4,917	-	-	-	4,917
Interest Earnings	19	7	3	1	31
Fire Runs	23,948	-	-	-	23,948
Rents & Royalties	386	-	-	-	386
Other Revenues	18,320	-	708	-	19,028
<u>Total Revenues</u>	<u>429,113</u>	<u>202,123</u>	<u>15,071</u>	<u>34,156</u>	<u>680,462</u>
<u>Expenditures</u>					
General Government	182,805	-	-	-	182,805
Public Safety	103,174	-	-	41,362	144,536
Public Works	125,949	200,024	-	-	325,973
Recreation & Culture	-	-	21,303	-	21,303
Debt Service - Principal	34,295	-	-	-	34,295
Debt Service - Interest	8,720	-	-	-	8,720
Capital Outlay	-	-	2,913	-	2,913
<u>Total Expenditures</u>	<u>454,944</u>	<u>200,024</u>	<u>24,215</u>	<u>41,362</u>	<u>720,544</u>
Excess of Revenues Over (Under) Expenditures	(25,831)	2,099	(9,145)	(7,206)	(40,082)
<u>Other Financing Sources (Uses)</u>					
Debt Proceeds	6,821	-	-	-	6,821
Gain (Loss) Sale of Fixed Assets	-	-	46,758	-	46,758
Net Change in Fund Balances	(19,010)	2,099	37,613	(7,206)	13,496
<u>Fund Balances - Beginning of Year</u>	<u>351,009</u>	<u>162,661</u>	<u>26,283</u>	<u>11,598</u>	<u>551,550</u>
<u>Fund Balances - End of Year</u>	<u>\$ 331,999</u>	<u>\$ 164,760</u>	<u>\$ 63,896</u>	<u>\$ 4,392</u>	<u>\$ 565,047</u>

The notes are an integral part of the statements.

Township of Riley
 Governmental Funds
 Reconciliation of Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For The Fiscal Year Ended March 31, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	13,496
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental Funds report capital outlays as expenditures. In the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as depreciation.</p>		2,913
<p>Repayment of loan principal is an expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces long-term debt).</p>		34,295
<p>Bond proceeds and loan proceeds are not reported as financing sources on the Statement of Activities.</p>		(6,821)
<p>The Sale of Fixed Assets is not adjusted for the remaining basis in the Governmental Funds</p>		(10,505)
<p>Depreciation is an expenditure for the Statement of Activities, but is not reported in the Governmental Funds.</p>		<u>(11,445)</u>
Change in Net Position of Governmental Activities	\$	<u>21,932</u>

The notes are an integral part of the statements.

Township of Riley
 Fiduciary Funds
 Statement of Fiduciary Assets and Liabilities - Agency Funds
 March 31, 2017

	Fiduciary Fund Types		Totals March 31, 2017
	Agency Funds		
	Trust & Agency Fund	Current Tax Collection Fund	
<u>Assets</u>			
Cash - Savings & Certificates	\$ 34,875	\$ 1,532	\$ 36,407
Due From Other Funds	-	-	-
<u>Total Assets</u>	<u>\$ 34,875</u>	<u>\$ 1,532</u>	<u>\$ 36,407</u>
<u>Liabilities</u>			
Due To General Fund	\$ 4,450	\$ 1,532	\$ 5,982
Due To Others	30,425	-	30,425
<u>Total Liabilities</u>	<u>\$ 34,875</u>	<u>\$ 1,532</u>	<u>\$ 36,407</u>

The notes are an integral part of the statements.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

1. Summary of Significant Accounting Policies

The accounting policies of the **Township of Riley**, St. Clair County, Michigan (the “Township”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the **Township of Riley**, St. Clair County, Michigan:

Financial Reporting Entity

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

Component Units - In accordance with generally accepted accounting principles, there are no component units of government required to be included in the financial reporting entity either as blended component units or discretely presented component units.

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Additionally, the Township reports the following fund types:

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

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

1. Summary of Significant Accounting Policies – *continued*

Measurement Focus and Basis of Accounting

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

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

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

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

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

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

The Township's 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended March 31, 2017 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Township totaled about \$109 million, on which taxes levied consisted of .7194 mills for operating purposes. This resulted in approximately \$78,000 for operations. This amount is recognized in the General Fund financial statements as tax revenue.

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

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

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

1. Summary of Significant Accounting Policies - *continued*

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

During the fiscal year ended March 31, 2017, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
---------------------------------------	---	----------------------------------

NONE

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The Township does not have an investment policy in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

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

	Governmental Activities	Fiduciary - Trust & Agency Funds	Total Primary Government
Cash & Cash Equivalents	\$ 472,901	\$ 36,407	\$ 509,308

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 509,308

The bank balance of the primary government's deposits is \$509,308, of which \$251,532 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township has a deposit policy for custodial credit risk. At the fiscal year end, the Township had approximately \$257,776 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized.

Credit Risk

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

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

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

4. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Due From Other Funds” or “Due To Other Funds” on the balance sheet. The amounts of interfund receivables and payables are as follows:

	Due From Other Funds		Due To Other Funds	
General Fund	\$ 1,532	Tax Collection Fund	\$ 1,532	(1)
General Fund	4,450	Trust & Agency Fund	4,450	(2)
General Fund	159	Park & Recreation Fund	159	(2)
General Fund	1,704	Building Permit Fund	1,704	(2)
Waste Disposal Fund	12,672	General Fund	12,672	(2)
Total	\$ 20,517		\$ 20,517	

- (1) – Money left in Tax Fund to keep account open
- (2) – Unreimbursed bills

Interfund Transfers reported in the fund statements are as follows:

NONE

5. Capital Assets

Capital assets activity of the Township’s governmental activities was as follows:

	Balance April 1, 2016	Additions	Disposals & Adjustments	Balance March 31, 2017
Governmental Activities:				
Capital Assets Not Being Depreciated:	\$ 190,310	\$ -	\$ (10,505)	\$ 179,805
Capital Assets Being Depreciated:				
Buildings & Building Improvements	\$ 280,273	\$ -	\$ -	\$ 280,273
Machinery & Equipment	56,483	2,913	-	59,395
Total Capital Assets Being Depreciated	336,756	2,913	-	339,668
Accumulated Depreciation:				
Buildings & Building Improvements	134,346	9,815	-	144,161
Machinery & Equipment	37,332	1,630	-	38,963
Total Accumulated Depreciation	171,678	11,445	-	183,123
Net Capital Assets Being Depreciated	165,078	14,358	-	156,545
Net Total Capital Assets	\$ 355,388	\$ 14,358	\$ (10,505)	\$ 336,350

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:		
General Government		\$ 9,223
Public Safety		1,058
Recreation & Culture		1,164
Total Governmental Activities		\$ 11,445

6. Long-Term Debt

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General Obligation Bonds & Contracts						
Drain Districts		\$884 -		6,821		
Maturing Through December 1, 2029	0.00%	\$4,295	\$ 12,381	\$ (4,295)	\$ 14,907	\$ 4,295
2002 General Obligation Bond - Township Hall						
Amount of Issue - \$400,000	4.2% -	\$25,000 -				
Maturing through April 1, 2021	5.2%	\$40,000	\$ 160,000	\$ (30,000)	\$ 130,000	\$ 30,000
Total Governmental Installment Agreements			\$ 172,381	\$ (27,474)	\$ 144,907	\$ 34,295
Total Long-Term Bonds and Purchase Contracts			\$ 172,381	\$ (27,474)	\$ 144,907	\$ 34,295

The St. Clair County Drain Commission has made improvements to the following drains and levied multi-year assessments against the Township as follows:

Cox Drain	(20 Year Assessment through 2030)	0.0% Interest	\$ 884
Cowhy Drain	(2 Year Assessment through 2018)	0.0% Interest	\$ 3,410
			\$ 4,294

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 4,295	\$ -	\$ 4,295
2019	30,884	5,845	36,729
2020	30,884	4,360	35,244
2021	30,884	2,845	33,729
2022	40,884	1,040	41,924
2023-2027	4,422	-	4,422
2028-2032	2,653	-	2,653
Total	\$ 144,906	\$ 14,090	\$ 158,996

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

7. Defined Contribution Retirement Plan

The Township offers its employees a Deferred Compensation Plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are 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 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'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 fiscal year ended March 31, 2017, the Township's contribution was \$4,858.

8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

NONE

9. Post-Employment Benefits

The Township does not provide any post-employment benefits other than deferred compensation benefits through Security Benefit (See Note 7).

10. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

11. Contingent Liabilities

The Township is involved in various lawsuits. Although the outcome of these lawsuits is not at present determinable, it is the opinion of the Township that resolution of these matters will not have a material adverse effect on the financial condition of the Township.

12. Subsequent Events

As of May 24, 2017, there were no subsequent events which have a material effect on the financial statements.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2017

13. Tax Abatements

Industrial Facilities Exemption

The Township entered into a property tax abatement agreement with Grace Engineering Corp (G5) under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFE on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of 100%.

For the year ended March 31, 2017, the Township abated property taxes revenues totaling \$21 under this program.

14. New Accounting Standards

For the fiscal year ended March 31, 2017, the Township implemented the following pronouncements:

GASB Statement 77 – Tax Abatement Disclosures

Summary:

This statement provides financial reporting guidance for Tax Abatements. Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The implementation of these standards did not require a restatement of the Township's beginning year net position.

Required Supplemental Information

Township of Riley
 Required Supplemental Information
 Budgetary Comparison Schedule
 General Fund
 For The Fiscal Year Ended March 31, 2017

	General Fund			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Property Taxes	\$ 116,800	\$ 124,655	\$ 114,529	\$ (10,126)
State-Shared Revenues	257,000	259,000	266,994	7,994
Charges for Services	5,700	5,700	4,917	(783)
Fire Runs	39,500	41,600	23,948	(17,652)
Rents & Royalties	1,000	1,340	386	(954)
Interest Earnings	50	50	19	(31)
Other Revenues	27,570	42,570	18,320	(24,250)
Total Revenues	447,620	474,915	429,113	(45,802)
Expenditures				
General Government				
Township Board	5,160	6,326	6,254	72
Township Administration	61,510	36,559	33,315	3,244
Clerk	24,165	22,559	22,405	154
Treasurer	33,301	27,651	27,249	402
Supervisor	18,516	17,303	17,299	4
Assessor	22,300	22,951	20,941	2,010
Elections	4,475	8,107	8,026	81
Cemetery Maintenance	200	200	-	200
Professional Services	12,500	11,450	11,322	128
Board of Review	1,805	1,065	1,062	3
Township Hall Expense	10,270	11,470	10,924	546
Insurance & Bonds	15,000	13,250	13,188	62
Other General Government	20,800	11,170	10,820	350
Total General Government	230,002	190,061	182,805	7,256
Public Safety				
Fire Protection	94,300	94,300	93,079	1,221
Planning & Zoning	6,750	10,371	5,353	5,018
Street Lights	4,000	4,800	4,742	58
Board of Appeals	760	-	-	-
Total Public Safety	105,810	109,471	103,174	6,297
Public Works				
Roads & Drains	59,000	127,575	125,949	1,626
Total Public Works	59,000	127,575	125,949	1,626
Debt Service - Principal	36,821	36,821	34,295	2,526
Debt Service - Interest	10,000	10,000	8,720	1,280
Capital Outlay	-	-	-	-
Total Expenditures	441,633	473,928	454,944	18,984
Excess of Revenues Over (Under) Expenditures	5,987	987	(25,831)	(26,818)
Other Financing Sources (Uses)				
Debt Proceeds	6,821	6,821	6,821	-
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	12,808	7,808	(19,010)	(26,818)
Fund Balance - Beginning of Year	351,009	351,009	351,009	-
Fund Balance - End of Year	\$ 363,817	\$ 358,817	\$ 331,999	\$ (26,818)

Township of Riley
 Required Supplemental Information
 Budgetary Comparison Schedule
 Major Special Revenue Fund - Waste Disposal Fund
 For The Fiscal Year Ended March 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Special Assessment	\$ 205,000	\$ 205,000	\$ 202,116	\$ (2,884)
Interest	6	6	7	1
<u>Total Revenues</u>	<u>205,006</u>	<u>205,006</u>	<u>202,123</u>	<u>(2,883)</u>
<u>Expenditures</u>				
Public Works	205,000	205,000	200,024	4,976
<u>Total Expenditures</u>	<u>205,000</u>	<u>205,000</u>	<u>200,024</u>	<u>4,976</u>
Excess of Revenues Over (Under) Expenditures	6	6	2,099	2,093
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	6	6	2,099	2,093
<u>Fund Balance - Beginning of Year</u>	<u>162,661</u>	<u>162,661</u>	<u>162,661</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 162,667</u>	<u>\$ 162,667</u>	<u>\$ 164,760</u>	<u>\$ 2,093</u>

Township of Riley
 Required Supplemental Information
 Budgetary Comparison Schedule
 Major Special Revenue Fund - Park Fund
 For The Fiscal Year Ended March 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Intergovernmental Revenue - County Millage	\$ 15,000	\$ 15,000	\$ 14,360	\$ (640)
Interest	3	3	3	-
Other Revenues	500	500	708	208
<u>Total Revenues</u>	<u>15,503</u>	<u>15,503</u>	<u>15,071</u>	<u>(433)</u>
<u>Expenditures</u>				
Recreation & Culture	21,660	90,210	21,303	68,907
Capital Outlay	-	3,000	2,913	88
<u>Total Expenditures</u>	<u>21,660</u>	<u>93,210</u>	<u>24,215</u>	<u>68,995</u>
Excess of Revenues Over (Under) Expenditures	(6,157)	(77,707)	(9,145)	68,562
<u>Other Financing Sources</u>				
Gain (Loss) Sale of Fixed Assets	-	71,550	46,758	(24,792)
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(6,157)	(6,157)	37,613	43,770
<u>Fund Balance - Beginning of Year</u>	<u>26,283</u>	<u>26,283</u>	<u>26,283</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 20,126</u>	<u>\$ 20,126</u>	<u>\$ 63,896</u>	<u>\$ 43,770</u>

Other Supplemental Information

Township of Riley
 Other Supplemental Information
 Schedule of Indebtedness
 March 31, 2017

2002 General Obligation Bond
Township Hall Purchase & Renovation

Dated July 1, 2002
Original Issue \$400,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Annual Interest Payable
		2017	2016	
4.80%	4/1/2017	\$ -	\$ 30,000	\$ -
4.90%	4/1/2018	30,000	30,000	5,845
5.00%	4/1/2019	30,000	30,000	4,360
5.10%	4/1/2020	30,000	30,000	2,845
5.20%	4/1/2021	40,000	40,000	1,040
<u>Total General Obligation Bonds</u>		<u>\$ 130,000</u>	<u>\$ 160,000</u>	<u>\$ 14,090</u>

St. Clair County Drain Commission
Drain Districts

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Annual Interest Payable
		2017	2016	
0.00%	12/1/2016	\$ -	\$ 884	-
0.00%	12/1/2017	4,295	884	-
0.00%	12/1/2018	884	884	-
0.00%	12/1/2019	884	884	-
0.00%	12/1/2020	884	884	-
0.00%	12/1/2021	884	884	-
0.00%	12/1/2022	884	884	-
0.00%	12/1/2023	884	884	-
0.00%	12/1/2024	884	884	-
0.00%	12/1/2025	884	884	-
0.00%	12/1/2026	884	884	-
0.00%	12/1/2027	884	884	-
0.00%	12/1/2028	884	884	-
0.00%	12/1/2029	884	884	-
<u>Total General Obligation Bonds</u>		<u>\$ 14,907</u>	<u>\$ 12,381</u>	<u>\$ -</u>
<u>Total General Obligation Bonds & Contracts</u>		<u>\$ 144,907</u>	<u>\$ 172,381</u>	<u>\$ 14,090</u>

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Fax 810-519-1332

May 24, 2017

Township of Riley
13042 Belle River Road
Riley, Michigan 48041

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund of the **Township of Riley** for the fiscal year ended March 31, 2017, and have issued our report thereon dated May 24, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 28, 2015, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **Township of Riley** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

KING & KING CPAs LLC

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Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 24, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. There were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of management, the Board of the **Township of Riley**, and Federal and State agencies and is not intended to be, nor should it be used by anyone other than these specified parties.

Sincerely,

Lehn King

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

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May 24, 2017

Township of Riley

13042 Belle River Road
Riley, Michigan 48041

To the Members of the Board:

In planning and performing our audit of the financial statements, as of and for the fiscal year ended March 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the **Township of Riley's** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that we have not identified.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the **Township of Riley's** internal control to be a significant deficiency:

Segregation of Duties – Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance to maintain the best control possible. We recommend the Township segregate duties whenever possible.

This information is intended solely for the information and use of management, **Township of Riley**, and others within the organization and is not intended to be, nor should it be used by anyone other than these specified parties.

Sincerely,

Lehn King

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