

# *Township of Riley*

**St. Clair County, Michigan**

Audited Financial Report  
March 31, 2020

**KING & KING CPAS LLC**

Marlette - Imlay City  
Michigan

**Township of Riley**  
 Annual Financial Report  
 For The Fiscal Year Ended March 31, 2020

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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 information of the **Township of Riley**, Michigan as of and for the fiscal year ended March 31, 2020, and the related notes to the financial statement, which collectively comprise the Township's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the **Township of Riley**, Michigan as of March 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof 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.

*King & King CPAs LLC*

**KING & KING CPAs LLC**

June 1, 2020

# Township of Riley

## Riley, Michigan

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### MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the **Township of Riley**, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2020. Please read it in conjunction with the Township's financial statements.

#### Using this Report

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

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

#### Condensed Financial Information

The following table shows in a condensed format, the net position as of the current fiscal year. Comparative data of the prior audit's net position is included.

	Governmental Activities	
	3/31/2020	3/31/2019
Current Assets	\$ 674,703	\$ 666,760
Noncurrent Assets	336,947	339,105
Total Assets	<u>1,011,649</u>	<u>1,005,865</u>
Current Liabilities	10,462	9,854
Noncurrent Liabilities	89,243	122,296
Total Liabilities	<u>99,705</u>	<u>132,150</u>
Net Position		
Net Investment in Capital Assets	244,651	213,784
Restricted	211,228	237,451
Unrestricted	<u>456,066</u>	<u>422,480</u>
Total Net Position	<u>\$ 911,945</u>	<u>\$ 873,715</u>

# Township of Riley

## Riley, Michigan

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### Condensed Financial Information – Continued

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

	<b>Governmental Activities</b>	
	<b>3/31/2020</b>	<b>3/31/2019</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 48,499	\$ 74,551
General Revenues:		
Property Taxes	374,400	333,591
Intergovernmental Revenues	315,663	301,963
Interest	132	136
Other Revenues	9,563	22,720
Total Revenues	748,257	732,961
<b>Program Expenses</b>		
General Government	\$ 243,002	\$ 241,903
Public Safety	142,313	130,531
Public Works	291,127	311,476
Recreation & Culture	19,573	15,597
Interest	6,090	7,184
Total Program Expenses	702,105	706,691
<b>Change in Net Position</b>	<b>\$ 46,153</b>	<b>\$ 26,270</b>

### The Township as a Whole

- The Township's Governmental Activities net position increased by \$46,153 this year. This compares to a net increase of \$26,270 in the previous year. Revenues increased this year, a large amount of which was attributable to the passing of a new fire protection special assessment which resulted in additional revenues of \$35,000 during the fiscal year. The Township also received an increased amount of State Shared Revenues this year. Expenses also decreased this year (there was a large drain project done in the prior year).
- The Township's primary source of revenue is from state-shared (intergovernmental) revenues and property taxes, which represent 92% of total revenue.

# **Township of Riley**

## **Riley, Michigan**

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### **The Township's Funds**

Our analysis of the Township's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township's major funds for the fiscal year ending March 31, 2020, include the General Fund, Waste Disposal Fund, and Building Inspection Fund.

### **General Fund Budgetary Highlights**

The Township made amendments to the budget during the fiscal year to cover the expenditures incurred.

### **Capital Asset and Debt Administration**

During the fiscal year ended March 31, 2020, the Township upgraded the computer technology in the Township Offices, including new computers and a new server for a total cost of \$11,133. Additional information regarding the Township's Capital Assets can be found in Note 5 to the financial statements.

The Township did not incur any additional long-term debt during the fiscal year ended March 31, 2020. The Township made scheduled debt principal payments of \$33,026 in the fiscal year ended March 31, 2020. The remaining debt balance as of March 31, 2020 is \$92,296. Additional information regarding the Township's Long-term Debt can be found in Note 6 to the financial statements.

### **Economic Factors and Next Year's Budget and Rates**

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

### **Contacting the Township**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Township Office in Riley, Michigan by telephone at (810) 392-2326.

# Township of Riley

## Statement of Net Position

March 31, 2020

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b><u>Assets</u></b>	
Cash & Cash Equivalents	\$ 560,447
Accounts Receivable	66,904
Due From Other Funds (Net)	(3,936)
Prepaid Expenses	51,288
Capital Assets	
Nondepreciable Capital Assets	199,930
Depreciable Capital Assets	137,017
<u>Total Assets</u>	<u>1,011,649</u>
<b><u>Deferred Outflows of Resources</u></b>	
	<u>-</u>
<b><u>Liabilities</u></b>	
Accounts Payable	7,409
Current Portion of Long-Term Debt	3,053
Long-Term Debt	89,243
<u>Total Liabilities</u>	<u>99,705</u>
<b><u>Deferred Inflows of Resources</u></b>	
	<u>-</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	244,651
Restricted For:	
Parks & Recreation	14,328
Waste Disposal	175,090
Building Inspection	21,810
Unrestricted	456,066
<u>Total Net Position</u>	<u>\$ 911,945</u>

The notes are an integral part of the statements.



**Township of Riley**  
Statement of Activities  
For The Fiscal Year Ended March 31, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue &amp; Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 243,002	\$ -	\$ -	\$ -	\$ (243,002)
Public Safety	142,313	48,499	-	-	(93,813)
Public Works	291,127	-	-	-	(291,127)
Recreation & Culture	19,573	-	-	-	(19,573)
Interest	6,090	-	-	-	(6,090)
<u>Total Governmental Activities</u>	<u>702,104</u>	<u>48,499</u>	<u>-</u>	<u>-</u>	<u>(653,605)</u>
<b>General Revenues:</b>					
Property Taxes					\$ 374,400
Intergovernmental Revenues					315,663
Interest					132
Other Revenues					9,563
Transfers					-
Total General Revenues, Special Items & Transfers					<u>699,758</u>
<b>Change in Net Position</b>					46,153
<b>Net Position - Beginning of Year</b>					<u>865,791</u>
<b>Net Position - End of Year</b>					<u>\$ 911,945</u>

The notes are an integral part of the statements.

# Township of Riley

Governmental Funds

Balance Sheet

March 31, 2020

	<b>Special Revenue Funds</b>				
	<b>General Fund</b>	<b>Waste Disposal Fund</b>	<b>Parks &amp; Recreation Fund</b>	<b>Building Inspection Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>					
Cash & Cash Equivalents	\$ 372,178	\$ 150,267	\$ 14,487	\$ 23,515	\$ 560,447
Property Tax Receivable	6,339	12,151	-	-	18,490
Accounts Receivable	48,414	-	-	-	48,414
Prepaid Expenses	51,288	-	-	-	51,288
Due From Other Funds	3,678	12,672	-	-	16,350
<u>Total Assets</u>	<u>\$ 481,896</u>	<u>\$ 175,090</u>	<u>\$ 14,487</u>	<u>\$ 23,515</u>	<u>\$ 694,988</u>
<b><u>Liabilities &amp; Fund Equity</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 7,409	\$ -	\$ -	\$ -	\$ 7,409
Due To Other Funds	18,422	-	159	1,705	20,286
<u>Total Liabilities</u>	<u>25,831</u>	<u>-</u>	<u>159</u>	<u>1,705</u>	<u>27,695</u>
<b><u>Fund Equity</u></b>					
Fund Balances:					
Nonspendable	51,288	-	-	-	51,288
Committed For:					
Township Hall	-	-	-	-	-
Restricted For:					
Public Safety - Building Inspection	-	-	-	21,810	21,810
Public Works - Waste Disposal	-	175,090	-	-	175,090
Recreation & Culture	-	-	14,328	-	14,328
Unassigned	404,778	-	-	-	404,778
<u>Total Fund Equity</u>	<u>456,066</u>	<u>175,090</u>	<u>14,328</u>	<u>21,810</u>	<u>667,293</u>
<u>Total Liabilities, Deferred Inflows &amp; Fund Equity</u>	<u>\$ 481,896</u>	<u>\$ 175,090</u>	<u>\$ 14,487</u>	<u>\$ 23,515</u>	<u>\$ 694,988</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, 2020

<b>Total Fund Balances for Governmental Funds</b>	\$ 667,293
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.	(92,296)
Capital assets used in Governmental Activities are not financial resources and are not reported in the funds.	<u>336,947</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 911,945</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, 2020

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Waste Disposal Fund</b>	<b>Parks &amp; Recreation Fund</b>	<b>Building Inspection Fund</b>	
<b><u>Revenues</u></b>					
Property Taxes & Special Assessments	\$ 160,632	\$ 213,768	\$ -	\$ -	\$ 374,400
Intergovernmental Revenues	300,463	-	15,200	-	315,663
Licenses, Permits & Fees	-	-	-	39,112	39,112
Charges for Services	4,204	-	-	-	4,204
Interest Earnings	53	74	2	2	132
Fire Runs	5,184	-	-	-	5,184
Rents & Royalties	540	-	-	-	540
Other Revenues	8,616	-	408	-	9,023
<b><u>Total Revenues</u></b>	<b>479,691</b>	<b>213,842</b>	<b>15,610</b>	<b>39,114</b>	<b>748,258</b>
<b><u>Expenditures</u></b>					
General Government	231,390	-	-	-	231,390
Public Safety	104,847	-	-	36,407	141,254
Public Works	78,329	212,798	-	-	291,127
Recreation & Culture	-	-	18,953	-	18,953
Debt Service - Principal	33,026	-	-	-	33,026
Debt Service - Interest	6,090	-	-	-	6,090
Capital Outlay	11,133	-	-	-	11,133
<b><u>Total Expenditures</u></b>	<b>464,814</b>	<b>212,798</b>	<b>18,953</b>	<b>36,407</b>	<b>732,972</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>14,878</b>	<b>1,044</b>	<b>(3,343)</b>	<b>2,707</b>	<b>15,286</b>
<b><u>Other Financing Sources (Uses)</u></b>					
Debt Proceeds	-	-	-	-	-
Transfers In (Out)	26,632	-	(26,632)	-	-
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>41,510</b>	<b>1,044</b>	<b>(29,975)</b>	<b>2,707</b>	<b>15,286</b>
<b><u>Fund Balances - Beginning of Year</u></b>	<b>414,556</b>	<b>174,045</b>	<b>44,303</b>	<b>19,103</b>	<b>652,008</b>
<b><u>Fund Balances - End of Year</u></b>	<b>\$ 456,066</b>	<b>\$ 175,090</b>	<b>\$ 14,328</b>	<b>\$ 21,810</b>	<b>\$ 667,293</b>

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, 2020

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	15,286
<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>		11,133
<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>		33,026
<p>Bond proceeds and loan proceeds are not reported as financing sources on the Statement of Activities.</p>		-
<p>The sale of fixed assets is not adjusted for the remaining basis in the Governmental Funds.</p>		-
<p>Depreciation is an expenditure for the Statement of Activities, but is not reported in the Governmental Funds.</p>		(13,291)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>46,153</u></b>

The notes are an integral part of the statements.

**Township of Riley**  
 Fiduciary Funds  
 Statement of Fiduciary Assets and Liabilities - Agency Funds  
 March 31, 2020

	Fiduciary Fund Types		Totals March 31, 2020
	Agency Funds		
	Trust & Agency Fund	Current Tax Collection Fund	
<b><u>Assets</u></b>			
Cash - Savings & Certificates	\$ 19,250	\$ 1,814	\$ 21,064
Due From Other Funds	5,750	-	5,750
<u>Total Assets</u>	\$ 25,000	\$ 1,814	\$ 26,814
<b><u>Liabilities</u></b>			
Due To General Fund	\$ -	\$ 1,814	\$ 1,814
Due To Others	25,000	-	25,000
<u>Total Liabilities</u>	\$ 25,000	\$ 1,814	\$ 26,814

The notes are an integral part of the statements.

**Township of Riley**  
Notes to the Financial Statements  
For The Fiscal Year Ended March 31, 2020

**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.

**Building Inspection Fund** - This fund is set up for the monitoring of Township construction. It is primarily funded through the collection of permits for the various types of construction.

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, 2020

**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 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The Township's 2019 tax is levied and collectible on July 1, 2019 and is recognized as revenue in the year ended March 31, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the Township totaled about \$121 million, on which taxes levied consisted of .6954 mills for operating purposes. This resulted in approximately \$84,000 for operations. The Township also has a special assessment of .3000 mills for Fire Protection which resulted in approximately \$35,000 of collections. These amounts are 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, 2020

**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, 2020

**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, 2020, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
None			

**Township of Riley**  
Notes to the Financial Statements  
For The Fiscal Year Ended March 31, 2020

**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:

	<b>Governmental Activities</b>	<b>Fiduciary - Trust &amp; Agency Funds</b>	<b>Total Primary Government</b>
Cash & Cash Equivalents	\$ 560,447	\$ 21,064	\$ 581,511

The breakdown between deposits and investments is as follows:

	<b>Primary Government</b>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 581,511

The bank balance of the primary government's deposits is \$581,511, of which \$500,935 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 \$80,576 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, 2020

**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:

	<b>Due From Other Funds</b>		<b>Due To Other Funds</b>	
General Fund	\$ 1,814	Tax Collection Fund	\$ 1,814	(1)
General Fund	159	Park & Recreation Fund	159	(3)
General Fund	1,705	Building Permit Fund	1,705	(3)
Trust & Agency Fund	5,750	General Fund	5,750	(2)
Waste Disposal Fund	12,672	General Fund	12,672	(3)
Total	\$ 22,100		\$ 22,100	

- (1) Money left in Tax Fund to keep account open.
- (2) Money remaining in Trust and Agency Fund to keep account open and un-transferred bond forfeitures.
- (3) Unreimbursed bills paid by other funds.

Interfund Transfers reported in the fund statements are as follows:

	<b>Transferred From</b>		<b>Transferred To</b>	
Parks & Recreation Fund	\$ 26,632	General Fund	\$ 26,632	(1)
Total	\$ 26,632		\$ 26,632	

- (1) To transfer accumulated net land sale proceeds that were incorrectly deposited in the Parks & Recreation Fund to the General Fund during previous fiscal years dating back to 2017.

**5. Capital Assets**

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

	<b>Balance April 1, 2019</b>	<b>Additions</b>	<b>Disposals &amp; Adjustments</b>	<b>Balance March 31, 2020</b>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:	\$ 199,930	\$ -	\$ -	\$ 199,930
Capital Assets Being Depreciated:				
Buildings & Building Improvements	\$ 285,610	\$ -	\$ -	\$ 285,610
Machinery & Equipment	59,395	11,133	-	70,529
Total Capital Assets Being Depreciated	345,005	11,133	-	356,139
Accumulated Depreciation:				
Buildings & Building Improvements	163,510	9,757	-	173,267
Machinery & Equipment	42,320	3,534	-	45,854
Total Accumulated Depreciation	205,830	13,291	-	219,121
<b>Net Capital Assets Being Depreciated</b>	<b>139,175</b>	<b>24,424</b>	<b>-</b>	<b>137,017</b>
<b>Net Total Capital Assets</b>	<b>\$ 339,105</b>	<b>\$ 24,424</b>	<b>\$ -</b>	<b>\$ 336,947</b>

**Township of Riley**  
Notes to the Financial Statements  
For The Fiscal Year Ended March 31, 2020

**5. Capital Assets – Continued**

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

<b>Governmental Activities:</b>		
General Government	\$	11,612
Public Safety		1,058
Recreation & Culture		620
<b>Total Governmental Activities</b>	<b>\$</b>	<b>13,291</b>

**6. Long-Term Debt**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
Drain Districts	4.33% -	\$884 -				
Maturing Through December 1, 2029	5.50%	\$2,535	\$ 55,321	\$ (3,026)	\$ 52,296	\$ 3,053
2002 General Obligation Bond - Township Hall						
Amount of Issue - \$400,000	4.2% -	\$25,000 -				
Maturing through April 1, 2021	5.2%	\$40,000	\$ 70,000	\$ (30,000)	\$ 40,000	\$ -
<b>Total Governmental Installment Agreements</b>			<b>\$ 125,321</b>	<b>\$ (33,026)</b>	<b>\$ 92,296</b>	<b>\$ 3,053</b>
<b>Total Long-Term Bonds and Purchase Contracts</b>			<b>\$ 125,321</b>	<b>\$ (33,026)</b>	<b>\$ 92,296</b>	<b>\$ 3,053</b>

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)	5.5% Interest	\$ 6,666
Green Drain	(20 Year Assessment through 2038)	4.33% Interest	\$ 45,630
			<u>\$ 52,296</u>

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
2021	\$ 3,053	\$ 5,193	\$ 8,246
2022	43,081	3,245	46,326
2023	3,111	2,065	5,176
2024	3,143	1,923	5,066
2015	3,176	1,784	4,960
2026-2030	16,452	6,687	23,139
2031-2035	12,675	3,296	15,971
2036-2038	7,605	659	8,264
<b>Total</b>	<b>\$ 92,296</b>	<b>\$ 24,852</b>	<b>\$ 117,148</b>

**Township of Riley**  
Notes to the Financial Statements  
For The Fiscal Year Ended March 31, 2020

**7. Defined Contribution Retirement Plan**

The Township offers its employees a Deferred Compensation Plan (the “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, the 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, 2020, the Township’s contribution was \$5,797.

**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 June 1, 2020, there were no subsequent events which have a material effect on the financial statements.

**13. Tax Abatements**

The Township did not have any tax abatements for the fiscal year ended March 31, 2020.

**Required Supplemental Information**

**Township of Riley**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 General Fund  
 For The Fiscal Year Ended March 31, 2020

	<b>General Fund</b>			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenues</b>				
Property Taxes/Special Assessments	\$ 157,000	\$ 157,000	\$ 160,632	\$ 3,632
State-Shared Revenues	295,000	297,000	300,463	3,463
Charges for Services	6,400	6,400	4,204	(2,196)
Fire Runs	43,500	43,500	5,184	(38,316)
Rents & Royalties	2,500	2,500	540	(1,960)
Interest Earnings	150	150	53	(97)
Other Revenues	50,200	50,200	8,616	(41,584)
<b>Total Revenues</b>	<u>554,750</u>	<u>556,750</u>	<u>479,691</u>	<u>(77,059)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Township Board	7,325	7,325	5,579	1,746
Township Administration	85,995	78,995	64,983	14,012
Clerk	24,758	24,758	24,068	690
Treasurer	30,508	30,508	29,286	1,222
Supervisor	18,309	18,309	17,537	772
Assessor	23,550	23,550	21,954	1,596
Elections	9,300	9,300	7,980	1,320
Cemetery Maintenance	500	7,500	7,314	186
Professional Services	12,500	12,400	9,297	3,103
Board of Review	850	2,515	2,036	479
Township Hall Expense	29,700	29,700	16,597	13,103
Insurance & Bonds	24,900	26,300	17,924	8,376
Other General Government	24,500	24,435	6,835	17,600
<b>Total General Government</b>	<u>292,695</u>	<u>295,595</u>	<u>231,390</u>	<u>64,205</u>
<b>Public Safety</b>				
Fire Protection	99,000	99,000	94,965	4,035
Planning & Zoning	5,450	5,450	3,780	1,670
Street Lights	5,200	5,200	5,105	95
Board of Appeals	1,145	1,245	997	248
<b>Total Public Safety</b>	<u>110,795</u>	<u>110,895</u>	<u>104,847</u>	<u>6,048</u>
<b>Public Works</b>				
Roads & Drains	78,700	78,700	78,329	371
<b>Total Public Works</b>	<u>78,700</u>	<u>78,700</u>	<u>78,329</u>	<u>371</u>
<b>Debt Service - Principal</b>	33,100	33,100	33,026	74
<b>Debt Service - Interest</b>	6,100	6,100	6,090	10
<b>Capital Outlay</b>	12,200	11,200	11,133	67
<b>Total Expenditures</b>	<u>533,590</u>	<u>535,590</u>	<u>464,814</u>	<u>70,776</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	21,160	21,160	14,878	(6,282)
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	-	-	26,632	26,632
Debt Proceeds	-	-	-	-
<b>Excess of Revenues &amp; Operating Transfers In Over (Under) Expenditures &amp; Operating Transfers Out</b>	21,160	21,160	41,510	20,350
<b>Fund Balance - Beginning of Year</b>	422,480	422,480	414,556	-
<b>Fund Balance - End of Year</b>	<u>\$ 443,640</u>	<u>\$ 443,640</u>	<u>\$ 456,066</u>	<u>\$ 20,350</u>



**Township of Riley**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Major Special Revenue Fund - Waste Disposal Fund  
 For The Fiscal Year Ended March 31, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Special Assessment	\$ 208,000	\$ 215,000	\$ 213,768	\$ (1,232)
Interest	175	175	74	(101)
<b><u>Total Revenues</u></b>	<u>208,175</u>	<u>215,175</u>	<u>213,842</u>	<u>(1,333)</u>
<b><u>Expenditures</u></b>				
Public Works	208,000	215,000	212,798	2,202
<b><u>Total Expenditures</u></b>	<u>208,000</u>	<u>215,000</u>	<u>212,798</u>	<u>2,202</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	175	175	1,044	869
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	-	-	-	-
<b>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</b>	175	175	1,044	869
<b><u>Fund Balance - Beginning of Year</u></b>	<u>174,045</u>	<u>174,045</u>	<u>174,045</u>	<u>0</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 174,220</u>	<u>\$ 174,220</u>	<u>\$ 175,090</u>	<u>\$ 870</u>

**Township of Riley**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Major Special Revenue Fund - Park Fund  
 For The Fiscal Year Ended March 31, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Intergovernmental Revenue - County Millage	\$ 25,000	\$ 25,000	\$ 15,200	\$ (9,800)
Interest	10	10	2	(8)
Other Revenues	-	-	408	408
<b><u>Total Revenues</u></b>	<u>25,010</u>	<u>25,010</u>	<u>15,610</u>	<u>(9,400)</u>
<b><u>Expenditures</u></b>				
Recreation & Culture	28,325	28,325	18,953	9,372
Capital Outlay	-	-	-	-
<b><u>Total Expenditures</u></b>	<u>28,325</u>	<u>28,325</u>	<u>18,953</u>	<u>9,372</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(3,315)	(3,315)	(3,343)	(28)
<b><u>Other Financing Sources</u></b>				
Transfer From (To) Other Funds	(27,000)	(27,000)	(26,632)	368
<b>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</b>	(30,315)	(30,315)	(29,975)	340
<b><u>Fund Balance - Beginning of Year</u></b>	<u>44,303</u>	<u>44,303</u>	<u>44,303</u>	<u>0</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 13,988</u>	<u>\$ 13,988</u>	<u>\$ 14,328</u>	<u>\$ 340</u>

**Township of Riley**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Major Special Revenue Fund - Building Inspection Fund  
 For The Fiscal Year Ended March 31, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Licenses, Permits, and Fees	\$ 57,000	\$ 57,000	\$ 39,112	\$ (17,888)
Interest	5	5	2	(3)
Other Revenues	-	-	-	-
<b><u>Total Revenues</u></b>	<u>57,005</u>	<u>57,005</u>	<u>39,114</u>	<u>(17,891)</u>
<b><u>Expenditures</u></b>				
Public Safety	47,075	47,075	36,407	10,668
Capital Outlay	-	-	-	-
<b><u>Total Expenditures</u></b>	<u>47,075</u>	<u>47,075</u>	<u>36,407</u>	<u>10,668</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	9,930	9,930	2,707	(7,223)
<b><u>Other Financing Sources</u></b>				
Transfer From (To) Other Funds	-	-	-	-
<b>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</b>	9,930	9,930	2,707	(7,223)
<b><u>Fund Balance - Beginning of Year</u></b>	<u>19,103</u>	<u>19,103</u>	<u>19,103</u>	<u>0</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 29,033</u>	<u>\$ 29,033</u>	<u>\$ 21,810</u>	<u>\$ (7,223)</u>

**Other Supplemental Information**

**Township of Riley**  
 Other Supplemental Information  
 Schedule of Indebtedness  
 March 31, 2020

**2002 General Obligation Bond**  
**Township Hall Purchase & Renovation**

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Annual Interest Payable</u>
		<u>2020</u>	<u>2019</u>	
5.10%	4/1/2020	\$ -	\$ 30,000	\$ 2,845
5.20%	4/1/2021	40,000	40,000	1,040
<u>Total General Obligation Bonds</u>		<u>\$ 40,000</u>	<u>\$ 70,000</u>	<u>\$ 3,885</u>

**St. Clair County Drain Commission**  
**Drain Districts**

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Annual Interest Payable</u>
		<u>2019</u>	<u>2018</u>	
4.33-5.5%	12/1/2019	\$ -	\$ 3,026	\$ -
4.33-5.5%	12/1/2020	3,053	3,053	2,348
4.33-5.5%	12/1/2021	3,081	3,081	2,205
4.33-5.5%	12/1/2022	3,111	3,111	2,065
4.33-5.5%	12/1/2023	3,143	3,143	1,923
4.33-5.5%	12/1/2024	3,176	3,176	1,784
4.33-5.5%	12/1/2025	3,212	3,212	1,635
4.33-5.5%	12/1/2026	3,249	3,249	1,488
4.33-5.5%	12/1/2027	3,288	3,288	1,339
4.33-5.5%	12/1/2028	3,330	3,330	1,191
4.33-5.5%	12/1/2029	3,373	3,373	1,034
4.33-5.5%	12/1/2030	2,535	2,535	878
4.33-5.5%	12/1/2031	2,535	2,535	769
4.33-5.5%	12/1/2032	2,535	2,535	661
4.33-5.5%	12/1/2033	2,535	2,535	549
4.33-5.5%	12/1/2034	2,535	2,535	439
4.33-5.5%	12/1/2035	2,535	2,535	329
4.33-5.5%	12/1/2036	2,535	2,535	220
4.33-5.5%	12/1/2037	2,535	2,535	110
<u>Total General Obligation Bonds</u>		<u>\$ 52,296</u>	<u>\$ 55,321</u>	<u>\$ 20,967</u>
<b><u>Total General Obligation Bonds &amp; Contracts</u></b>		<b><u>\$ 92,296</u></b>	<b><u>\$ 125,321</u></b>	<b><u>\$ 24,852</u></b>

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Fax 810-519-1332

June 1, 2020

**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 of the governmental activities, each major fund, and the aggregate remaining fund information, as of and for the fiscal year ended March 31, 2020, 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 that are appropriate for the circumstances 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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,

*King & King CPAs LLC*  
**KING & KING CPAs LLC**

# KING & KING CPAs LLC

**Ryan L. King, C.P.A.**  
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June 1, 2020

**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 information of the **Township of Riley** for the fiscal year ended March 31, 2020, and have issued our report thereon dated June 1, 2020. 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 June 4, 2018, 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 auditing standards. 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 auditing standards 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, 2020. 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 clearly 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, a disagreement with management is 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 June 1, 2020.

### *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. To our knowledge, 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.

### *Restriction on Use*

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,

*King & King CPAs LLC*  
**KING & KING CPAs LLC**