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Township of Riley

St. Clair County, Michigan

Audited Financial Report
March 31, 2023

KING & KING CPAs LLC

Marlette - Inlay City
Michigan

Township of Riley
 Annual Financial Report
 For The Fiscal Year Ended March 31, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund for the **Township of Riley**, as of and for the year ended **March 31, 2023**, and the related notes to the financial statements, which collectively comprise the **Township of Riley's** basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **Township of Riley**, as of **March 31, 2023**, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Township of Riley**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Township of Riley's** ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 **Township of Riley's** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Township of Riley's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Riley's** basic financial statements. The other supplemental information, as identified in the Table of Contents, is presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 other supplemental information, as identified in the Table of Contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

King & King CPAs LLC

KING & KING CPAs LLC
Imlay City, Michigan

July 19, 2023

Township of Riley

Riley, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the **Township of Riley**, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2023. 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 | |
|----------------------------------|-------------------------|--------------|
| | 3/31/2023 | 3/31/2022 |
| Current Assets | \$ 1,030,512 | \$ 1,054,638 |
| Noncurrent Assets | 342,595 | 294,853 |
| Total Assets | 1,373,107 | 1,349,491 |
| Current Liabilities | 36,512 | 18,392 |
| Noncurrent Liabilities | 39,908 | 43,051 |
| Total Liabilities | 76,420 | 61,443 |
| Deferred Inflows | 109,831 | 171,395 |
| Net Position | | |
| Net Investment in Capital Assets | 299,544 | 248,690 |
| Restricted | 227,707 | 231,110 |
| Unrestricted | 659,607 | 636,853 |
| Total Net Position | \$ 1,186,858 | \$ 1,116,653 |

Township of Riley

Riley, Michigan

Condensed Financial Information – Continued

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

| | Governmental Activities | |
|----------------------------|-------------------------|------------|
| | 3/31/2023 | 3/31/2022 |
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | \$ 60,683 | \$ 68,769 |
| Grant Revenues | 222,257 | 5,688 |
| General Revenues: | | |
| Property Taxes | 398,529 | 389,979 |
| Intergovernmental Revenues | 368,063 | 363,462 |
| Interest | 211 | 81 |
| Other Revenues | 22,530 | 44,588 |
| Total Revenues | 1,072,273 | 872,567 |
| Program Expenses | | |
| General Government | \$ 309,563 | \$ 238,542 |
| Public Safety | 176,391 | 173,638 |
| Public Works | 572,149 | 338,773 |
| Recreation & Culture | 19,015 | 21,479 |
| Interest | 2,065 | 2,205 |
| Total Program Expenses | 1,079,183 | 774,637 |
| Change in Net Position | \$ (6,910) | \$ 97,930 |

The Township as a Whole

- The Township's Governmental Activities net position decreased by \$6,100 this year. This compares to a net increase of \$97,930 in the previous year. Revenues increased this year, but expenses also increased in the current fiscal year, and by a larger margin than the increase in revenues. Most of the expense increase was for road work during the current fiscal year.
- The Township's primary source of revenue is from state-shared (intergovernmental) revenues and property taxes, which represent 71% of total revenue.

Township of Riley

Riley, Michigan

The Township's Funds

Our analysis of the Township's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide 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, 2023, include the General Fund and Waste Disposal Fund.

General Fund Budgetary Highlights

The Township made amendments to the budget during the fiscal year. There were departments which incurred expenses in excess of the amounts budgeted, but they were by a small margin.

Capital Asset and Debt Administration

During the fiscal year ended March 31, 2023, the Township installed generators at the Township Hall and Office buildings for \$20,000. The Township also resurfaced the Township Office Building roof for \$12,500. The Park Fund installed a playset for \$31,893. 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, 2023. The Township made scheduled debt principal payments of \$3,111. The remaining debt balance as of March 31, 2023 is \$43,051. 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. As our current economy is seeing increased inflation and interest rates, the Township must be conscious of proper budgeting practices to manage increases in costs.

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, 2023

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|--|---|
| <u>Assets</u> | |
| Cash & Cash Equivalents | \$ 891,553 |
| Accounts Receivable | 69,227 |
| Due From Other Funds (Net) | - |
| Prepaid Expenses | 69,732 |
| Capital Assets | |
| Nondepreciable Capital Assets | 179,805 |
| Depreciable Capital Assets | 162,790 |
| <u>Total Assets</u> | <u>1,373,107</u> |
| <u>Deferred Outflows of Resources</u> | |
| | <u>-</u> |
| <u>Liabilities</u> | |
| Accounts Payable | 14,549 |
| Accrued Wages & Taxes | 18,820 |
| Current Portion of Long-Term Debt | 3,143 |
| Long-Term Debt | 39,908 |
| <u>Total Liabilities</u> | <u>76,420</u> |
| <u>Deferred Inflows of Resources</u> | |
| | <u>109,831</u> |
| <u>Net Position</u> | |
| Net Investment in Capital Assets | 299,544 |
| Restricted For: | |
| Parks & Recreation | 35,192 |
| Waste Disposal | 181,541 |
| Building Inspection | 10,974 |
| Unrestricted | 659,607 |
| <u>Total Net Position</u> | <u>\$ 1,186,857</u> |

The notes are an integral part of the statements.

Township of Riley
Statement of Activities
For The Fiscal Year Ended March 31, 2023

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position | |
|--------------------------------------|------------------|----------------------|----------------------------------|---|---------------------------------|
| | Expenses | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Primary Governmental Activities |
| Primary Governmental Activities: | | | | | |
| General Government | \$ 309,563 | \$ - | \$ 222,257 | \$ - | \$ (87,307) |
| Public Safety | 176,391 | 60,683 | - | - | (115,708) |
| Public Works | 572,149 | - | - | - | (572,149) |
| Recreation & Culture | 19,015 | - | - | - | (19,015) |
| Interest | 2,065 | - | - | - | (2,065) |
| Total Governmental Activities | 1,079,183 | 60,683 | 222,257 | - | (796,243) |

| | |
|---|---------------------|
| General Revenues: | |
| Property Taxes | \$ 398,529 |
| Intergovernmental Revenues | 368,063 |
| Interest | 211 |
| Other Revenues | 22,530 |
| Transfers | - |
| Total General Revenues, Special Items & Transfers | <u>789,333</u> |
| Change in Net Position | (6,910) |
| Net Position - Beginning of Year | <u>1,193,767</u> |
| Net Position - End of Year | <u>\$ 1,186,857</u> |

The notes are an integral part of the statements.

Township of Riley
 Governmental Funds
 Balance Sheet
 March 31, 2023

| | General Fund | Waste Disposal Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|--------------------------|---------------------------|--|--------------------------------|
| <u>Assets</u> | | | | |
| Cash & Cash Equivalents | \$ 666,088 | \$ 171,553 | \$ 53,912 | \$ 891,553 |
| Property Tax Receivable | 8,056 | 9,988 | - | 18,043 |
| Accounts Receivable | 51,184 | - | - | 51,184 |
| Prepaid Expenses | 69,145 | - | 588 | 69,732 |
| Due From Other Funds | 3,737 | - | - | 3,737 |
| <u>Total Assets</u> | <u>\$ 798,210</u> | <u>\$ 181,541</u> | <u>\$ 54,499</u> | <u>\$ 1,034,250</u> |
| <u>Liabilities & Fund Equity</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts Payable | \$ 10,540 | \$ - | \$ 4,009 | \$ 14,549 |
| Accrued Wages & Taxes | 18,820 | - | - | 18,820 |
| Due To Other Funds | - | - | 3,737 | 3,737 |
| Deferred Revenues | 109,831 | - | - | 109,831 |
| <u>Total Liabilities</u> | <u>139,191</u> | <u>-</u> | <u>7,746</u> | <u>146,937</u> |
| <u>Fund Equity</u> | | | | |
| Fund Balances: | | | | |
| Nonspendable | 69,145 | - | 588 | 69,732 |
| Restricted For: | | | | |
| Public Safety - Building Inspection | - | - | 10,974 | 10,974 |
| Public Works - Waste Disposal | - | 181,541 | - | 181,541 |
| Recreation & Culture | - | - | 35,192 | 35,192 |
| Unassigned | 589,874 | - | - | 589,874 |
| <u>Total Fund Equity</u> | <u>659,019</u> | <u>181,541</u> | <u>46,753</u> | <u>887,313</u> |
| <u>Total Liabilities & Fund Equity</u> | <u>\$ 798,210</u> | <u>\$ 181,541</u> | <u>\$ 54,499</u> | <u>\$ 1,034,250</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, 2023

Total Fund Balances for Governmental Funds \$ 887,313

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. (43,051)

Capital assets used in Governmental Activities are not financial
resources and are not reported in the funds. 342,594

Net Position of Governmental Activities \$ 1,186,857

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, 2023

| | <u>General Fund</u> | <u>Waste Disposal Fund</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|------------------------------------|--|---|
| <u>Revenues</u> | | | | |
| Property Taxes & Special Assessments | \$ 179,482 | \$ 219,047 | \$ - | \$ 398,529 |
| Intergovernmental Revenues | 351,679 | - | 16,384 | 368,063 |
| Licenses, Permits & Fees | - | - | 57,136 | 57,136 |
| Charges for Services | 1,928 | - | - | 1,928 |
| Interest Earnings | 78 | 128 | 5 | 211 |
| Fire Runs | 1,619 | - | - | 1,619 |
| Rents & Royalties | 861 | - | - | 861 |
| Other Revenues | 8,347 | - | 13,323 | 21,670 |
| <u>Total Revenues</u> | <u>543,993</u> | <u>219,176</u> | <u>86,848</u> | <u>850,016</u> |
| <u>Expenditures</u> | | | | |
| General Government | 296,163 | - | - | 296,163 |
| Public Safety | 113,792 | - | 61,540 | 175,333 |
| Public Works | 353,022 | 219,127 | - | 572,149 |
| Recreation & Culture | - | - | 16,823 | 16,823 |
| Debt Service - Principal | 3,111 | - | - | 3,111 |
| Debt Service - Interest | 2,065 | - | - | 2,065 |
| Capital Outlay | 32,500 | - | 31,893 | 64,393 |
| <u>Total Expenditures</u> | <u>800,653</u> | <u>219,127</u> | <u>110,256</u> | <u>1,130,036</u> |
| Excess of Revenues Over (Under) Expenditures | (256,661) | 49 | (23,408) | (280,020) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In (Out) | (20,000) | - | 20,000 | - |
| Grant Proceeds | 222,257 | - | - | 222,257 |
| Net Change in Fund Balances | (54,404) | 49 | (3,408) | (57,763) |
| <u>Fund Balances - Beginning of Year</u> | <u>713,423</u> | <u>181,492</u> | <u>50,161</u> | <u>945,076</u> |
| <u>Fund Balances - End of Year</u> | <u>\$ 659,019</u> | <u>\$ 181,541</u> | <u>\$ 46,753</u> | <u>\$ 887,313</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (57,763)

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

Governmental Funds report capital outlays as expenditures. In the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as depreciation. 64,393

Repayment of loan principal is an expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces long-term debt). 3,111

Bond proceeds and loan proceeds are not reported as financing sources on the Statement of Activities. -

The sale of fixed assets is not adjusted for the remaining basis in the Governmental Funds. -

Depreciation is an expenditure for the Statement of Activities, but is not reported in the Governmental Funds. (16,651)

Change in Net Position of Governmental Activities \$ (6,910)

The notes are an integral part of the statements.

Township of Riley
 Fiduciary Funds
 Statement of Fiduciary Net Position - Custodial Funds
 March 31, 2023

| | <u>Fiduciary Fund Types</u> | | <u>Totals March 31, 2023</u> |
|---|--|--------------------------------------|--------------------------------------|
| | <u>Custodial Funds</u> | | |
| | <u>Current Tax Collection Fund</u> | <u>Other Custodial Funds</u> | |
| <u>Assets</u> | | | |
| Cash - Savings & Certificates | \$ - | \$ 27,375 | \$ 27,375 |
| Due From Others | - | - | - |
| <u>Total Assets</u> | - | 27,375 | 27,375 |
| <u>Liabilities</u> | | | |
| Accounts Payable | - | - | - |
| <u>Total Liabilities</u> | - | - | - |
| <u>Net Position</u> | | | |
| Restricted For: | | | |
| Individuals, Organizations, and Other Governments | - | 27,375 | 27,375 |
| <u>Total Net Position</u> | <u>\$ -</u> | <u>\$ 27,375</u> | <u>\$ 27,375</u> |

Fiduciary Funds
 Statement of Changes in Fiduciary Net Position - Custodial Funds
 For the Fiscal Year Ended March 31, 2023

| | <u>Fiduciary Fund Types</u> | | <u>Totals March 31, 2023</u> |
|--|--|--------------------------------------|--------------------------------------|
| | <u>Custodial Funds</u> | | |
| | <u>Current Tax Collection Fund</u> | <u>Other Custodial Funds</u> | |
| <u>Additions</u> | | | |
| Tax Collections for Other Governments | \$ 3,751,160 | \$ - | \$ 3,751,160 |
| Permits and Deposits | - | 19,625 | 19,625 |
| <u>Total Additions</u> | 3,751,160 | 19,625 | 3,770,785 |
| <u>Deductions</u> | | | |
| Tax Collections Disbursed to Other Governments | 3,751,160 | - | 3,751,160 |
| Permits and Deposits | - | 28,000 | 28,000 |
| <u>Total Deductions</u> | 3,751,160 | 28,000 | 3,779,160 |
| Change in Net Position | - | (8,375) | (8,375) |
| Net Position at Beginning of Year | - | 35,750 | 35,750 |
| Net Position at End of Year | <u>\$ -</u> | <u>\$ 27,375</u> | <u>\$ 27,375</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, 2023

I. 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.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies – Continued

Additionally, the Township reports the following fund types:

Fiduciary Fund Type – used to account for resources held for the benefit of parties outside the Township:

Custodial Fund (Current Tax Collection Fund) - The Current Tax Collection Fund accounts for taxes collected by the City for other governmental units.

Other Custodial Funds - The Other Custodial Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations or other governments.

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 2022 tax is levied and collectible on July 1, 2022 and is recognized as revenue in the year ended March 31, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the Township totaled about \$140 million, on which taxes levied consisted of .6735 mills for operating purposes. This resulted in approximately \$93,000 for operations. The Township also has a special assessment of .3000 mills for Fire Protection which resulted in approximately \$41,000 of collections. These amounts are recognized in the General Fund financial statements as tax revenue.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies – Continued

Receivables and Payables – All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of the interfund loans) or “advances to/from other funds” (i.e. the non-current portion of the interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Vacation, Sick Leave and Other Compensated Absences - The Township has a policy for paid time off for the Administrative Assistant and Building Department Secretary. Paid time off may be used for Personal, Sick, or Vacation time. Employees become eligible after 6 months of service. The paid time off renews annually on the employee anniversary, does not get rolled over to future years, and does not get paid out to the employee if unused.

Deferred Outflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Township reports deferred outflows of resources related to its defined benefit pension plan for contributions to the plan subsequent to the valuation date through the Township's fiscal year-end, differences between expected and actual experience, differences between expected and actual investment returns and changes in assumptions.

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township reports deferred inflows of resources related to its pension plan for differences between expected and actual experience.

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.

Restricted Assets – Restricted assets consist of investments that have set aside for future bond payments.

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.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2023

1. Summary of Significant Accounting Policies – Continued

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.

Net Position Flow Assumption – The Township will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Classification - In the fund financial statements, governmental funds report non-spendable 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, 2023

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, 2023, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| | Total Appropriations | Amount of Expenditures | Budget Variance |
|---------------------------|---------------------------------|-----------------------------------|----------------------------|
| General Government | | | |
| Cemetery Maintenance | \$ 4,118 | \$ 4,147 | \$ 29 |
| Other General Government | 12,125 | 12,549 | 424 |
| Roads & Drains | 352,365 | 353,022 | 657 |

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2023

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 Funds | Total Primary Government |
|-------------------------|------------------------------------|----------------------------|---|
| Cash & Cash Equivalents | \$ 891,553 | \$ 27,375 | \$ 918,928 |

The breakdown between deposits and investments is as follows:

| | Primary Government |
|--|-------------------------------|
| Bank Deposits (Checking & Savings Accounts, CDs) | \$ 918,928 |

The bank balance of the primary government's deposits is \$918,928 of which \$534,166 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 \$384,762 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, 2023

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 | \$ 91 | Park & Recreation Fund | \$ 91 | (1) |
| Building Permit Fund | 3,647 | General Fund | 3,647 | (1) |
| Total | \$ 3,737 | | \$ 3,737 | |

(1) Unreimbursed bills paid by other funds.

Interfund Transfers reported in the fund statements are as follows:

| | Transferred From | | Transferred To | |
|--------------|-----------------------------|-------------------------|---------------------------|-----|
| General Fund | \$ 20,000 | Parks & Recreation Fund | \$ 20,000 | (2) |
| Total | \$ 20,000 | | \$ 20,000 | |

(2) Monies used to purchase park equipment in the fiscal year.

5. Capital Assets

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

| | Balance April 1, 2022 | Additions | Disposals & Adjustments | Balance March 31, 2023 |
|---|----------------------------------|------------------|--|-----------------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | \$ 179,805 | \$ - | \$ - | \$ 179,805 |
| Capital Assets Being Depreciated: | | | | |
| Buildings & Building Improvements | \$ 285,610 | \$ 12,500 | \$ - | \$ 298,110 |
| Machinery & Equipment | 76,166 | 51,893 | - | 128,059 |
| Total Capital Assets Being Depreciated | 361,776 | 64,393 | - | 426,169 |
| Accumulated Depreciation: | | | | |
| Buildings & Building Improvements | 192,781 | 10,174 | - | 202,954 |
| Machinery & Equipment | 53,947 | 6,477 | - | 60,424 |
| Total Accumulated Depreciation | 246,727 | 16,651 | - | 263,378 |
| Net Capital Assets Being Depreciated | 115,049 | 81,044 | - | 162,791 |
| Net Total Capital Assets | \$ 294,853 | \$ 81,044 | \$ - | \$ 342,595 |

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2023

5. Capital Assets – Continued

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

| Governmental Activities: | | |
|--------------------------------------|--|-------------------------|
| General Government | | \$ 13,400 |
| Public Safety | | 1,058 |
| Recreation & Culture | | 2,192 |
| Total Governmental Activities | | <u><u>\$ 16,651</u></u> |

6. Long-Term Debt

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | (Reductions) | Ending Balance | Due Within One Year |
|---------------------------------|-------------------------|---------------------------------|----------------------|-----------|----------------|-------------------|------------------------|
| Governmental Activities | | | | | | | |
| Other Direct Borrowings | | | | | | | |
| Drain Districts | | | | | | | |
| Maturing Through 2038 | Various | Various | \$ 46,162 | - | (3,111) | \$ 43,051 | \$ 3,143 |
| Total Governmental Debts | | | <u>\$ 46,162</u> | <u>-</u> | <u>(3,111)</u> | <u>\$ 43,051</u> | <u>\$ 3,143</u> |

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 | \$ 5,026 |
| Green Drain | (20 Year Assessment through 2038) | 4.33% Interest | <u>\$ 38,025</u> |
| | | | <u>\$ 43,051</u> |

The Drain Debt is secured by the future tax revenues of the Township.

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 0% to 100% of gross wages. The Township contributes up to 3.75% of each person's gross wages. During the fiscal year ended March 31, 2023, the Township's contribution was \$6,347.

Township of Riley
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2023

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.

12. Subsequent Events

As of July 19, 2023, there were no subsequent events which would have a material impact on the financial statements.

13. Tax Abatements

The Township did not have any tax abatements for the fiscal year ended March 31, 2023.

Required Supplemental Information

Township of Riley
 Required Supplemental Information
 Budgetary Comparison Schedule
 General Fund
 For The Fiscal Year Ended March 31, 2023

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|---------------------------|-------------------|---|
| Revenues | | | | |
| Property Taxes/Special Assessments | \$ 199,000 | \$ 199,000 | \$ 179,482 | \$ (19,518) |
| State-Shared Revenues | 300,000 | 300,000 | 351,679 | 51,679 |
| Charges for Services | 1,500 | 1,500 | 1,928 | 428 |
| Fire Runs | 12,000 | 12,000 | 1,619 | (10,381) |
| Rents & Royalties | 1,100 | 1,100 | 861 | (239) |
| Interest Earnings | 100 | 100 | 78 | (22) |
| Other Revenues | 68,600 | 68,600 | 8,347 | (60,253) |
| Total Revenues | <u>582,300</u> | <u>582,300</u> | <u>543,993</u> | <u>(38,307)</u> |
| Expenditures | | | | |
| General Government | | | | |
| Township Board | 66,258 | 51,048 | 38,466 | 12,582 |
| Township Administration | 64,756 | 58,108 | 57,810 | 298 |
| Clerk | 32,301 | 33,201 | 31,713 | 1,488 |
| Treasurer | 33,233 | 30,533 | 26,927 | 3,606 |
| Supervisor | 20,679 | 20,229 | 19,962 | 267 |
| Assessor | 28,948 | 28,018 | 27,361 | 657 |
| Elections | 16,374 | 22,309 | 21,872 | 437 |
| Cemetery Maintenance | 4,000 | 4,118 | 4,147 | (29) |
| Professional Services | 13,825 | 20,425 | 15,657 | 4,768 |
| Board of Review | 2,852 | 2,852 | 1,903 | 949 |
| Township Hall Expense | 38,282 | 40,222 | 37,794 | 2,428 |
| Insurance & Bonds | - | - | - | - |
| Other General Government | 12,500 | 12,125 | 12,549 | (424) |
| Total General Government | <u>334,008</u> | <u>323,188</u> | <u>296,163</u> | <u>27,025</u> |
| Public Safety | | | | |
| Fire Protection | 108,500 | 108,550 | 103,745 | 4,805 |
| Planning & Zoning | - | - | - | - |
| Street Lights | 10,000 | 10,070 | 10,048 | 22 |
| Board of Appeals | - | - | - | - |
| Total Public Safety | <u>118,500</u> | <u>118,620</u> | <u>113,792</u> | <u>4,828</u> |
| Public Works | | | | |
| Roads & Drains | 212,800 | 352,365 | 353,022 | (657) |
| Total Public Works | <u>212,800</u> | <u>352,365</u> | <u>353,022</u> | <u>(657)</u> |
| Debt Service - Principal | 3,125 | 3,125 | 3,111 | 14 |
| Debt Service - Interest | 2,075 | 2,075 | 2,065 | 10 |
| Capital Outlay | 55,000 | 33,225 | 32,500 | 725 |
| Total Expenditures | <u>725,508</u> | <u>832,598</u> | <u>800,653</u> | <u>31,945</u> |
| Excess of Revenues Over (Under) Expenditures | (143,208) | (250,298) | (256,661) | (6,363) |
| Other Financing Sources (Uses) | | | | |
| Transfers In (Out) | - | - | (20,000) | (20,000) |
| Grant Proceeds | 241,895 | 241,895 | 222,257 | (19,638) |
| Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out | 98,687 | (8,403) | (54,404) | (46,001) |
| Fund Balance - Beginning of Year | <u>807,709</u> | <u>807,709</u> | <u>713,423</u> | <u>-</u> |
| Fund Balance - End of Year | <u>\$ 906,396</u> | <u>\$ 799,306</u> | <u>\$ 659,019</u> | <u>\$ (46,001)</u> |

Township of Riley
 Required Supplemental Information
 Budgetary Comparison Schedule
 Major Special Revenue Fund - Waste Disposal Fund
 For The Fiscal Year Ended March 31, 2023

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|---------------------------|-------------------|---|
| <u>Revenues</u> | | | | |
| Special Assessment | \$ 230,000 | \$ 230,000 | \$ 219,047 | \$ (10,953) |
| Interest | 50 | 50 | 128 | 78 |
| <u>Total Revenues</u> | <u>230,050</u> | <u>230,050</u> | <u>219,176</u> | <u>(10,874)</u> |
| <u>Expenditures</u> | | | | |
| Public Works | 230,000 | 230,000 | 219,127 | 10,873 |
| <u>Total Expenditures</u> | <u>230,000</u> | <u>230,000</u> | <u>219,127</u> | <u>10,873</u> |
| Excess of Revenues Over (Under) Expenditures | 50 | 50 | 49 | (1) |
| <u>Other Financing Sources</u> | | | | |
| Operating Transfers In (Out) | - | - | - | - |
| Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses | 50 | 50 | 49 | (1) |
| <u>Fund Balance - Beginning of Year</u> | <u>181,492</u> | <u>181,492</u> | <u>181,492</u> | <u>(0)</u> |
| <u>Fund Balance - End of Year</u> | <u>\$ 181,542</u> | <u>\$ 181,542</u> | <u>\$ 181,541</u> | <u>\$ (1)</u> |

Other Supplemental Information

Township of Riley
 Other Supplemental Information
 Nonmajor Governmental Funds
 Combining Balance Sheet
 March 31, 2023

| | Building Inspection Fund | Parks & Recreation Fund | Total Nonmajor Governmental Funds |
|---|---|--|--|
| <u>Assets</u> | | | |
| Cash & Cash Equivalents | \$ 18,629 | \$ 35,283 | \$ 53,912 |
| Accounts Receivable | - | - | - |
| Prepaid Expenses | 588 | - | 588 |
| Due From Other Funds | - | - | - |
| <u>Total Assets & Deferred Outflows</u> | <u>\$ 19,217</u> | <u>\$ 35,283</u> | <u>\$ 54,499</u> |
| <u>Liabilities & Fund Balances</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 4,009 | \$ - | \$ 4,009 |
| Due To Other Funds | 3,647 | 91 | 3,737 |
| <u>Total Liabilities</u> | <u>7,656</u> | <u>91</u> | <u>7,746</u> |
| <u>Fund Balances</u> | | | |
| Nonspendable | 588 | - | 588 |
| Restricted For: | | | |
| Building Inspection | 10,974 | - | 10,974 |
| Parks & Recreation | - | 35,192 | 35,192 |
| <u>Total Liabilities & Fund Balance</u> | <u>\$ 19,217</u> | <u>\$ 35,283</u> | <u>\$ 54,499</u> |

Township of Riley
 Other Supplemental Information
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For The Fiscal Year Ended March 31, 2023

| | <u>Building Inspection Fund</u> | <u>Parks & Recreation Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|---|--|--|
| Revenues | | | |
| Park Millage | \$ - | \$ 16,384 | \$ 16,384 |
| Inspections and Permits | 57,136 | - | 57,136 |
| Interest Earnings | 1 | 3 | 5 |
| Other Revenues | <u>620</u> | <u>12,703</u> | <u>13,323</u> |
| Total Revenues | <u>57,758</u> | <u>29,090</u> | <u>86,848</u> |
| Expenditures | | | |
| Public Safety | 61,540 | - | 61,540 |
| Recreation & Culture | - | 16,823 | 16,823 |
| Capital Outlay | <u>-</u> | <u>31,893</u> | <u>31,893</u> |
| Total Expenditures | <u>61,540</u> | <u>48,716</u> | <u>110,256</u> |
| Excess of Revenues Over (Under) | | | |
| Expenditures | (3,783) | (19,626) | (23,408) |
| Other Financing Sources (Uses) | | | |
| Transfers In (Out) | <u>-</u> | <u>20,000</u> | <u>20,000</u> |
| Net Change in Fund Balances | (3,783) | 374 | (3,408) |
| Fund Balances - Beginning of Year | <u>15,344</u> | <u>34,818</u> | <u>50,161</u> |
| Fund Balances - End of Year | <u>\$ 11,561</u> | <u>\$ 35,192</u> | <u>\$ 46,753</u> |

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Fax 810-519-1332

July 19, 2023

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 and each major fund of the **Township of Riley** as of and for the year ended **March 31, 2023**, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Township of Riley's** internal control. Accordingly, we do not express an opinion of the effectiveness of the **Township of Riley'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 of a control 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 **Township of Riley's** financial statements will not be prevented or detected and corrected, on a timely basis. We consider the following deficiencies in the Township's internal control to be significant deficiencies:

Segregation of Duties - One of the strongest controls in an internal control system is known as "segregation of duties". This means there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance. As is common in many small organizations, there is often only a few people, sometimes only one person, performing the accounting and financial functions. It is also common to have these individuals concentrate their efforts in one area. For example, one person does the entire payroll, one person does all the disbursing, and one person does all the billing and receipting. While this is usually more efficient, it is a weakened internal control system. There are generally insufficient checks and balances in place.

This is the situation with the **Township of Riley**. Due to a limited staff size, the municipality has a lack of segregation of duties because various conflicting duties are performed by an insufficient number of individuals. We recommend the **Township of Riley** segregate duties whenever possible.

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Financial Reporting - Our professional standards now define an element of internal control as an organization's ability to prepare a complete set of financial statements with footnotes in accordance with U.S. generally accepted accounting principles. We are required to communicate to management if the municipality is unable to complete this task without assistance from its auditor. It is not uncommon that many small and medium size organizations cannot provide the resources to accomplish this task. This is the situation with the **Township of Riley**.

This communication is intended solely for the information and use of management, Board and others within the organization and is not intended to be and should not be, used by anyone other than these specified parties.

Sincerely,

King & King CPAs LLC

KING & KING CPAs LLC
Inlay City, Michigan

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July 19, 2023

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 and each major fund of the **Township of Riley** for the year ended **March 31, 2023**. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated **July 21, 2021**. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. 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 year. We noted no transactions entered into by the **Township of Riley** during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

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.

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.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated **July 19, 2023**.

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 **Township of Riley's** financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our 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 **Township of Riley's** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and major fund budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board and management of the **Township of Riley** and is not intended to be and should not be, used by anyone other than these specified parties.

Sincerely,

King & King CPAs LLC

KING & KING CPAs LLC
Imlay City, Michigan