

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name RIVES TOWNSHIP	County JACKSON
Fiscal Year End 3/31/07	Opinion Date 8/15/07	Date Audit Report Submitted to State 8/23/2007	

We affirm that:

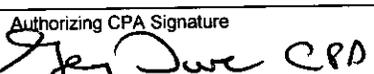
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-----|----|--|
| YES | NO | |
| | | Check each applicable box below. (See instructions for further detail.) |
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. The local unit has adopted a budget for all required funds.
 5. A public hearing on the budget was held in accordance with State statute.
 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. The local unit only holds deposits/investments that comply with statutory requirements.
 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. The local unit is free of repeated comments from previous years.
 12. The audit opinion is UNQUALIFIED.
 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. The board or council approves all invoices prior to payment as required by charter or statute.
 15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) DOVE & HICKEY, PLC		Telephone Number (517)796-8880		
Street Address 209 E WASHINGTON, SUITE 255		City JACKSON	State MI	Zip 49201
Authorizing CPA Signature 		Printed Name GEORGE DOVE		License Number 1101011397

RIVES TOWNSHIP
JACKSON COUNTY - MICHIGAN
FINANCIAL STATEMENTS
Year Ended March 31, 2007

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Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Township Board
Rives Township
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Rives Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rives Township's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Rives Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Rives Township has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.



August 15, 2007

RIVES TOWNSHIP
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 March 31, 2007

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 236,643
Receivables:	
Taxes	7,155
Other	5,268
Due from other governmental units	52,775
Prepaid expenses	22,660
Capital assets - net	<u>741,264</u>
Total assets	<u>1,065,765</u>
<u>LIABILITIES:</u>	
Accounts payable and accrued liabilities	44,758
Long-term debt:	
Due within one year	28,335
Due in more than one year	<u>185,937</u>
Total liabilities	<u>259,030</u>
<u>NET ASSETS:</u>	
Invested in capital assets - net of related debt	526,992
Unrestricted	<u>279,743</u>
Total net assets	<u>\$ 806,735</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES:				
General government	\$ 255,749	\$ 12,155	\$ -0-	\$ 13,584
Public Safety	209,221	25,183	-0-	-0-
Public works	134,944	48,979	-0-	-0-
Recreation	5,383	-0-	-0-	-0-
Community and economic development	<u>2,852</u>	<u>400</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>\$ 608,149</u>	<u>\$ 86,717</u>	<u>\$ -0-</u>	<u>\$ 13,584</u>

GENERAL REVENUES:

Property taxes
State-shared revenues
Gain on sale of assets
Investment earnings
Cable franchise fees
Total general revenues

CHANGES IN NET ASSETS

**NET ASSETS - BEGINNING
OF YEAR**

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense)
Revenue
and Changes
in Net Assets

Governmental
Activities

(\$ 230,010)
(184,038)
(85,965)
(5,383)

(2,452)

(507,848)

92,221
325,809
2,050
7,354
3,478
430,912

(76,936)

883,671

\$ 806,735

RIVES TOWNSHIP
BALANCE SHEET -
GOVERNMENTAL FUNDS
March 31, 2007

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 229,991	\$ 6,652	\$ 236,643
Receivables:			
Taxes	7,155	-0-	7,155
Other	5,268	-0-	5,268
Due from other governments	52,775	-0-	52,775
Prepaid expenses	<u>22,660</u>	<u>-0-</u>	<u>22,660</u>
Total assets	<u>\$ 317,849</u>	<u>\$ 6,652</u>	<u>\$ 324,501</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts payable	\$ 26,570	\$ 532	\$ 27,102
Accrued wages	5,840	-0-	5,840
Accrued expenses	<u>3,034</u>	<u>-0-</u>	<u>3,034</u>
Total liabilities	<u>35,444</u>	<u>532</u>	<u>35,976</u>
Fund balances:			
Unreserved:			
Designated	20,000	-0-	20,000
Undesignated	<u>262,405</u>	<u>6,120</u>	<u>268,525</u>
Total fund balances	<u>282,405</u>	<u>6,120</u>	<u>288,525</u>
Total liabilities and fund balances	<u>\$ 317,849</u>	<u>\$ 6,652</u>	<u>\$ 324,501</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
March 31, 2007

Fund balances - total Governmental funds	\$ 288,525
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	741,264
Accrued interest payable is not included as a liability in governmental funds	(8,782)
Long-term liabilities not due and payable in the current period and are not reported in the governmental funds:	
Long-term debt payable	<u>(214,272)</u>
Net assets of governmental activities	<u>\$ 806,735</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended March 31, 2007

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes and penalties	\$ 98,707	\$ -0-	\$ 98,707
Licenses and permits	3,878	25,183	29,061
State sources	339,393	-0-	339,393
Charges for services	48,979	-0-	48,979
Interest	7,354	-0-	7,354
Other revenues	<u>5,669</u>	<u>-0-</u>	<u>5,669</u>
Total revenues	<u>503,980</u>	<u>25,183</u>	<u>529,163</u>
EXPENDITURES:			
Current:			
General government	240,230	-0-	240,230
Public safety	102,871	28,070	130,941
Public works	134,089	-0-	134,089
Community and economic development	8,976	-0-	8,976
Recreation	4,774	-0-	4,774
Other	17,603	-0-	17,603
Capital outlay	225,516	-0-	225,516
Debt service	<u>39,033</u>	<u>-0-</u>	<u>39,033</u>
Total expenditures	<u>773,092</u>	<u>28,070</u>	<u>801,162</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(269,112)</u>	<u>(2,887)</u>	<u>(271,999)</u>
OTHER FINANCING SOURCES (USES):			
Sale of assets	2,050	-0-	2,050
Capital lease proceeds	<u>199,217</u>	<u>-0-</u>	<u>199,217</u>
Total other financing sources (uses)	<u>201,267</u>	<u>-0-</u>	<u>201,267</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(67,845)	(2,887)	(70,732)
FUND BALANCES - BEGINNING OF YEAR	<u>350,250</u>	<u>9,007</u>	<u>359,257</u>
FUND BALANCES - END OF YEAR	<u>\$ 282,405</u>	<u>\$ 6,120</u>	<u>\$ 288,525</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
March 31, 2007

Net change in fund balance - total Governmental funds	(\$ 70,732)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	225,516
Interest expense is reported in the statement of activities when incurred; it is not reported in governmental funds until paid	(8,782)
Depreciation on capital assets reported as part of governmental activities	(59,934)
Governmental funds report capital lease proceeds as other financing sources; in the statement of activities (where it increases long-term debt)	(199,217)
Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>36,213</u>
Changes in net assets of governmental activities	(\$ <u>76,936</u>)

See accompanying notes to financial statements.

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rives 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 Rives Township.

Reporting Entity

Rives Township is governed by an elected five-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Joint Operations

The Township and Tompkins Township equally support and govern the Rives-Tompkins Fire Board.

The joint operation agreement provides for a 50/50 split of operating expenses and purchase of capital assets with each Township responsible for 100% of their respective substations. The Township's respective share of the joint operations is reported in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, and interest associated with the current fiscal period. 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 are recorded when payment is due.

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 except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Building Fund - The Building Fund is used to account for revenues and expenditures for building construction enforcement.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled approximately \$115,952,000 on which ad valorem taxes levied consisted of .7758 mills for operating purposes. This resulted in \$90,400 for operating. This amount is recognized in the General Fund.

Assets, Liabilities, and Net Assets or Fund Balance

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 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 and improvements	20 to 50 years
Furnishings and equipment	3 to 7 years
Vehicles	10 years

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Assets or Fund Balance (Continued)

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. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Designated fund balance represents Township's commitment of funds in accordance with the State of Michigan Purchase Developpe Program to preserve farm land within the Township.

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 and 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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than March 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

At year end, the Township's cash was reported in the basic financial statements under the heading of cash and cash equivalents in the amount of \$236,643.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

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 to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$236,688 of deposits (checking accounts and CD's), of which \$200,753 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

4. CAPITAL ASSETS

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

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2007</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>190,199</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>190,199</u>
Capital assets being depreciated:				
Buildings and improvements	312,470	-0-	-0-	312,470
Furniture and equipment	171,825	20,735	-0-	192,560
Vehicles	<u>273,193</u>	<u>204,781</u>	<u>25,151</u>	<u>452,823</u>
Total capital assets being depreciated	<u>757,488</u>	<u>225,516</u>	<u>25,151</u>	<u>957,853</u>
Less: accumulated depreciation:				
Buildings and improvements	86,091	8,263	-0-	94,354
Furniture and equipment	148,560	8,893	-0-	157,453
Vehicle	<u>137,354</u>	<u>42,778</u>	<u>25,151</u>	<u>154,981</u>
Total accumulated depreciation	<u>372,005</u>	<u>59,934</u>	<u>25,151</u>	<u>406,788</u>
Total capital assets being depreciated - net	<u>385,483</u>	<u>165,582</u>	<u>-0-</u>	<u>551,065</u>
Total capital assets - net	\$ <u>575,682</u>	\$ <u>165,582</u>	\$ <u>-0-</u>	\$ <u>741,264</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ 5,301
Public Safety	53,582
Public Works	442
Recreation	<u>609</u>
Total governmental activities	\$ <u>59,934</u>

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

5. LEASE COMMITMENTS

Capital Lease

The Township and Tompkins Township jointly have several capital leases to finance a rescue truck, a pumper truck, and a tanker truck. The Township's share of the outstanding lease agreements include the acquisition and corresponding cost of a rescue truck for \$44,250, and pumper and tanker trucks for \$199,217. These leases qualify as capital leases. The accumulated depreciation for these assets as of March 31, 2007, was \$32,643, and the amortization is included with depreciation.

The following is a schedule by years of the Township's share of future minimum payments required under the lease together with its present value as of March 31, 2007:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2008	\$ 38,723
2009	38,725
2010	30,586
2011	30,586
2012	30,586
Thereafter	<u>91,756</u>
Total minimum lease payments	260,962
Less: amount representing interest	<u>46,690</u>
Present value of minimum lease payments	\$ <u>214,272</u>

Amortization of assets held under capital lease is included with depreciation.

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

6. LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government:							
Governmental activities:							
Installment purchase agreement purchase, under Act 99 to finance one-half the purchase of two fire trucks, amount of Township's share \$131,566, maturity through 2007	5.600%	Various	\$ 29,256	\$ -0-	(\$ 29,256)	\$ -0-	\$ -0-
Lease obligations payable	4.809 - 5.275%	Various	<u>22,012</u>	<u>199,217</u>	<u>(6,957)</u>	<u>214,272</u>	<u>28,335</u>
Total governmental activities			<u>\$ 51,268</u>	<u>\$199,217</u>	<u>(\$ 36,213)</u>	<u>\$214,272</u>	<u>\$ 28,335</u>

Total interest paid for the fiscal year ended March 31, 2007 was \$2,821 for capital leases and \$1,639 for installment purchase agreements.

7. RISK MANAGEMENT

Rives Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for employee injury, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

RIVES TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

8. COMMITMENTS AND CONTINGENCIES

The Township has co-signed two capital leases with Tompkins Township to purchase trucks for the jointly operated fire department. The Township could be liable for the entire amounts of the leases.

9. SUBSEQUENT EVENTS

Subsequent to March 31, 2007, the Township entered into an agreement with Jackson County to finance a sanitary sewage disposal system for a section of the Township. The agreement includes a federal grant in the amount of \$1,500,000 and a long-term low interest loan in the amount of \$1,075,000.

REQUIRED SUPPLEMENTAL INFORMATION

RIVES TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Taxes and penalties	\$ 80,000	\$ 80,000	\$ 98,707	\$ 18,707
Licenses and permits	-0-	-0-	3,878	3,878
State sources	310,000	333,094	339,393	6,299
Charges for services	49,000	49,000	48,979	(21)
Interest	-0-	-0-	7,354	7,354
Other revenues	<u>13,100</u>	<u>13,100</u>	<u>5,669</u>	<u>(7,431)</u>
Total revenues	<u>452,100</u>	<u>475,194</u>	<u>503,980</u>	<u>28,786</u>
EXPENDITURES:				
Current:				
General government:				
Township Board	82,000	82,000	69,119	12,881
Supervisor	55,050	55,050	44,503	10,547
Elections	24,500	24,500	23,960	540
Clerk	47,200	47,200	41,123	6,077
Board of Review	3,000	3,000	2,235	765
Treasurer	48,050	48,050	39,323	8,727
Cemetery	17,000	17,000	12,962	4,038
Township Hall	6,300	11,300	7,005	4,295
Public Safety	135,000	135,000	102,871	32,129
Public Works	159,500	159,500	134,089	25,411
Community and economic development	14,000	14,000	8,976	5,024
Recreation	6,500	6,500	4,774	1,726
Other	42,000	37,000	17,603	19,397
Capital outlay	45,000	267,311	225,516	41,795
Debt services	<u>39,100</u>	<u>39,100</u>	<u>39,033</u>	<u>67</u>
Total expenditures	<u>724,200</u>	<u>946,511</u>	<u>773,092</u>	<u>173,419</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(272,100)</u>	<u>(471,317)</u>	<u>(269,112)</u>	<u>202,205</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	-0-	-0-	2,050	2,050
Capital lease proceeds	<u>-0-</u>	<u>199,217</u>	<u>199,217</u>	<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>199,217</u>	<u>201,267</u>	<u>2,050</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(272,100)	(272,100)	(67,845)	204,255
FUND BALANCE - BEGINNING OF YEAR	<u>275,474</u>	<u>275,474</u>	<u>350,250</u>	<u>74,776</u>
FUND BALANCE - END OF YEAR	\$ <u>3,374</u>	\$ <u>3,374</u>	\$ <u>282,405</u>	\$ <u>279,031</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUILDING FUND
 Year Ended March 31, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Licenses and permits	\$ <u>40,000</u>	\$ <u>40,000</u>	\$ <u>25,183</u>	(\$ <u>14,817</u>)
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>25,183</u>	<u>(14,817)</u>
EXPENDITURES:				
Public Safety	<u>40,000</u>	<u>40,000</u>	<u>28,070</u>	<u>11,930</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>28,070</u>	<u>11,930</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	(2,887)	(2,887)
FUND BALANCE - BEGINNING OF YEAR	<u>19,999</u>	<u>19,999</u>	<u>9,007</u>	<u>(10,992)</u>
FUND BALANCE - END OF YEAR	\$ <u><u>19,999</u></u>	\$ <u><u>19,999</u></u>	\$ <u><u>6,120</u></u>	(\$ <u><u>13,879</u></u>)

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201
Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS**

**GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.**

August 15, 2007

Township Board
Rives Township
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of the governmental activities and each major fund information of Rives Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Rives Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Credit Cards/Vendor Statements

We noted during the audit that several credit card statements were paid without the appropriate documentation attached detailing the items charged. The credit card receipts should detail the business purpose of the charge and then matched up to the statements, prior to board approval for payment. The same process should be followed for vendor statements.

Collection Site

In order to increase internal controls over cash, we suggest the Township consider prepaid numbered collection site cards or stickers. The residents would purchase them either by mail or in person from the Township Treasurer. This would reduce the amount of work now being done to reconcile the manual collection site receipts and provide the Township better controls over this revenue.

Payroll

While performing our audit, we noted several payroll checks that did not agree with the supporting timesheets. We suggest more care be taken when calculating payroll.

In addition, we noted other matters involving the internal control and its operation that we have reported to management of the Township, in a separate letter dated August , 2007.

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

We appreciate the opportunity to serve you.

Respectfully yours,

Dove & Hechey P.C.

Dove & Hickey, P.L.C.

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August 15, 2007

Township Board
Rives Township
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of Rives Township for the year ended March 31, 2007, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated August 15, 2007, on the financial statements of Rives Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate members of management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Board Minutes

The minutes stated that elected officials and employees received raises, but just the percent of the raises was listed. We suggest that the approved salary/rate be noted in the minutes, so that a permanent record of the amounts approved by the board is maintained.

Board minutes are used to document the Board's decisions. When contracting for work with businesses owned by Board members or their families, the minutes should state the members with an interest in the contract abstained from the vote. We suggest the Board contact their attorney and have a conflict of interest policy drafted.

Cell Phones/Reimbursements

During the audit, we noted that an employee's cell phone bill was being paid directly by the Township. If the employee owns the cell phone, the Township has two plans to choose from - an accountable plan or nonaccountable plan.

An accountable plan is not taxable to the employee. The IRS requires under this type of plan the employee must provide a detailed bill noting the Township related calls and evidence supporting the Township business. Per the IRS, "At a minimum, the employee should keep a record of each call and its business purpose. If calls are itemized on a monthly statement, they should be identifiable as personal or business, and the employee should retain any supporting evidence of the business calls. This information should be submitted to the employer, who maintains these records to support the exclusion of the phone use from the employee's wages." The employee would then be reimbursed for the pro rata share of the cell phone bill that related to Township business.

A nonaccountable plan is taxable to the employee and subject to FICA and income tax withholding. Under this plan the Township reimburses a reasonable amount to the employee, but the employee does not account to the Township for the business use on his personal cell phone. This type of plan makes the monthly Board approved cell phone allowance taxable to the employee. It then becomes the employee's responsibility to claim the allowable deductions on his personal taxes as an employee business expense.

We also suggest that when elected officials are reimbursed for various expenses, they carefully document the business purpose of the expense, as outlined above.

Other Matters

It came to our attention during the audit that there exists a Rives & Tompkins Fire & Rescue Fund Raiser Account at the same bank that the Township uses. This organization is made up of firemen from Rives and Tompkins Townships, but is not accounted for or controlled by the Township. In discussions with the Fire Chief we were informed this account receives contributions from residents. We suggest that the Township obtain legal counsel to determine if this practice is in compliance with State of Michigan statutes.

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

We appreciate the opportunity to serve you.

Respectfully yours,

Dove & Hickey P.L.C.