

Township of Ada
Kent County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2023

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	14
Statement of activities	15
Fund financial statements:	
Balance sheet - governmental funds	16
Statement of revenues, expenditures, and changes in fund balances - governmental funds	17
Statement of net position - proprietary funds	18
Statement of revenues, expenses, and changes in net position - proprietary funds	19
Statement of cash flows - proprietary funds	20 - 21
Statement of fiduciary net position - custodial fund	22
Statement of changes in fiduciary net position - custodial fund	23
Notes to financial statements	24 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	43 - 44
Public Safety Fund	45
Trails Fund	46
Parks and Open Space Fund	47
Parks and Recreation Fund	48
SUPPLEMENTARY INFORMATION	
Balance sheet - component units	49
Statement of revenues, expenditures, and changes in fund balances - component units	50
Budgetary comparison schedules:	
Downtown Development Authority	51
Brownfield Redevelopment Authority	52



Certified Public Accountants & Advisors

246 E. Kilgore Road
Portage, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

INDEPENDENT AUDITOR'S REPORT

Township Board of Trustees
Township of Ada, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Ada, Michigan (the Township), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, 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. 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, 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Changes in Accounting Principles

As discussed in Note 18 to the financial statements, the Township adopted GASB Statement No. 87, *Leases*, and GASB Statement No. 101, *Compensated Absences*, during the current fiscal year. Our opinions are not modified with respect to these matters.

Correction of an Error

As described in Note 19 to the financial statements, the Township recorded a prior period adjustment to correct its method of accounting for depreciation of capital assets. Our opinions are not modified with respect to this matter.

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 generally accepted auditing standards 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township'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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 supplementary 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's basic financial statements. The component units' fund financial statements are presented for 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

September 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Ada's (the Township) financial performance provides a narrative 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.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$3,308,358 (7 percent) as a result of this year's activities. The net position of the governmental activities increased by \$2,047,652, and the net position of the business-type activities increased by \$1,260,706.
- Of the \$49,085,691 total net position reported, \$10,898,657 (22 percent) is available to be used to meet the Township's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$3,424,461, which represents 112 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents statements concerning the component units. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government and public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and construction code inspection services.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as a custodian for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2023 and 2022 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police and fire protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems and construction code inspection operations are reported here.
- *Component units* - The Township includes two other entities in its report - the Ada Downtown Development Authority and the Ada Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the Township is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues (like the public safety millage).

The Township has three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, primarily property taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$49,085,691. Of this total, \$33,371,418 represents a net investment in capital assets and \$4,815,616 is restricted for various purposes. Consequently, unrestricted net position was \$10,898,657, or 22 percent of the total.

Condensed financial information
Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 23,737,617	\$ 25,501,702	\$ 7,958,420	\$ 8,993,313	\$ 31,696,037	\$ 34,495,015
Capital assets	28,876,322	25,351,179	24,009,977	22,366,429	52,886,299	47,717,608
Total assets	52,613,939	50,852,881	31,968,397	31,359,742	84,582,336	82,212,623
Current and other liabilities	2,888,405	2,176,054	610,571	682,335	3,498,976	2,858,389
Long-term debt outstanding	19,533,594	20,507,539	10,988,359	11,568,646	30,521,953	32,076,185
Total liabilities	22,421,999	22,683,593	11,598,930	12,250,981	34,020,929	34,934,574
Deferred inflows	1,475,716	1,500,716	-	-	1,475,716	1,500,716
Net position:						
Net investment in capital assets	20,349,800	20,377,747	13,021,618	10,797,783	33,371,418	31,175,530
Restricted	4,586,864	2,832,217	228,752	2,160,988	4,815,616	4,993,205
Unrestricted	3,779,560	3,458,608	7,119,097	6,149,990	10,898,657	9,608,598
Total net position	\$ 28,716,224	\$ 26,668,572	\$ 20,369,467	\$ 19,108,761	\$ 49,085,691	\$ 45,777,333

The 2022 balances represent restated balances associated with prior period adjustments. See Note 19 for further detail.

Changes in net position

The Township's total revenues for the current fiscal year amounted to \$14,620,058, compared to \$13,145,334 in the prior year. Charges for services account for approximately 45 percent of the Township's revenues, while property taxes account for 36 percent of the total revenues. State grants account for about 11 percent of the Township's revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of the Township's programs for the current fiscal year, covering a wide range of services, totaled \$11,311,700. Approximately 42 percent of the Township's costs relates to the provision of utility services. General government and recreation and culture and costs represent 17 of total expenses, each.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 327,747	\$ 375,295	\$ 6,283,266	\$ 5,772,295	\$ 6,611,013	\$ 6,147,590
Operating grants and contributions	277,890	41,970	-	-	277,890	41,970
Capital grants and contributions	51,403	632,756	-	-	51,403	632,756
General revenues:						
Property taxes	5,214,389	4,460,614	-	-	5,214,389	4,460,614
State grants	1,631,025	1,584,526	-	-	1,631,025	1,584,526
Franchise fees	263,144	261,104	-	-	263,144	261,104
Investment income (loss)	353,287	(83,849)	115,593	8,738	468,880	(75,111)
Local community stabilization revenue	102,314	91,885	-	-	102,314	91,885
Total revenues	8,221,199	7,364,301	6,398,859	5,781,033	14,620,058	13,145,334
Expenses:						
General government	1,929,911	1,626,736	-	-	1,929,911	1,626,736
Public safety	1,102,743	1,079,421	534,784	314,510	1,637,527	1,393,931
Public works	397,638	917,075	-	-	397,638	917,075
Recreation and culture	1,939,240	1,678,496	-	-	1,939,240	1,678,496
Community and economic development	216,163	204,956	-	-	216,163	204,956
Interest and issuance costs	386,539	556,151	-	-	386,539	556,151
Sewer	-	-	2,407,989	2,033,451	2,407,989	2,033,451
Water	-	-	2,396,693	2,401,181	2,396,693	2,401,181
Total expenses	5,972,234	6,062,835	5,339,466	4,749,142	11,311,700	10,811,977
Transfers	(201,313)	-	201,313	-	-	-
Changes in net position	\$ 2,047,652	\$ 1,301,466	\$ 1,260,706	\$ 1,031,891	\$ 3,308,358	\$ 2,333,357
Net position, end of year	\$ 28,716,224	\$ 26,668,572	\$ 20,369,467	\$ 19,108,761	\$ 49,085,691	\$ 45,777,333

The 2022 balances represent restated balances associated with prior period adjustments. See Note 19 for further detail.

Governmental activities

Governmental activities increased the Township's net position by \$2,047,652 in the current year, compared to a \$1,301,466 increase in the prior year. The increase in net position was higher in the current year as revenues increased by \$856,898, expenses decreased by \$90,601, while transfers out increased by \$201,313. The increase in revenues is primarily related to a \$753,775 increase in property taxes, as the millage rate for trails was increased and taxable values continue to grow. Expenses decreased due to lower public works costs, which decreased by \$519,437, as the cost of road construction projects was lower than the previous year. The public works decrease was offset by increased expenses in general government and recreation and culture of \$303,175 and \$260,744, respectively.

The following schedule shows the costs of the Township's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

	<u>Total cost of services</u>	<u>Net cost of services</u>
General government	\$ 1,929,911	\$ (1,790,659)
Public safety	1,102,743	(1,085,176)
Recreation and culture	1,939,240	(1,799,510)
Other	<u>1,000,340</u>	<u>(639,849)</u>
Totals	<u>\$ 5,972,234</u>	<u>\$ (5,315,194)</u>

The total cost of governmental activities this year was \$5,972,234 compared to \$6,062,835 in the prior year. After subtracting the direct charges to those who directly benefited from the programs (\$327,747), operating grants (\$277,890), and capital grants (\$51,403), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$5,315,194.

Business-type activities

Business-type activities increased the Township's net position by \$1,260,706 in the current year compared to an increase of \$1,031,891 in the prior year. Net position has increased because customer charges are sufficient to cover all operating and nonoperating costs, including depreciation.

The increase in net position was higher in the current year as revenues increased by \$617,826, while expenses only increased by \$590,324. The increase in revenues was expected due to an increase in rates charged to customers. The increase in expenses was primarily related to higher contract costs.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of March 31, 2023, the Township's governmental funds reported combined ending fund balances of \$19,494,961, which represents a decrease of \$2,303,338 compared to last year's balances.

The General Fund is the primary operating fund of the Township. Its fund balance at the end of the fiscal year was \$3,832,689, though unassigned fund balance amounted to \$3,424,461. Revenues of \$3,493,874 exceeded expenditures of \$3,049,870 and transfers out of \$201,313, causing fund balance to increase by \$242,691 in the current year.

In addition, these other changes in fund balances should be noted:

- The fund balance of the Public Safety Fund at the end of the fiscal year was \$1,648,041, an increase of \$447,982, as revenues of \$1,666,773 were sufficient to cover expenditures of \$1,218,791 in the current year. The fund accounts for operating and capital costs of the Township's fire department and policing services.
- The fund balance of the Trails Fund at the end of the fiscal year was \$12,546,652, a decrease of \$2,996,098, as revenues of \$2,064,211 were less than expenditures of \$5,060,309 in the current year. The fund's expenditures include trail improvement and maintenance costs and debt service.
- The fund balance of the Parks and Recreation Fund at the end of the fiscal year was \$1,439,507, a decrease of \$199,049. Revenues of \$995,892 were less than expenditures of \$1,144,941 and transfers out of \$50,000. The Township's parks and recreation costs are supported by this fund.
- The fund balance of the Parks and Open Space Fund at the end of the fiscal year was \$149,776, an increase of \$50,636. The increase was created by \$636 in interest revenue and \$50,000 in transfers from the Parks and Recreation Fund. The fund's restricted tax millage has expired, but the remaining fund balance is restricted for parks and open space costs.
- The fund balance of the Envision Ada Fund, a capital project fund, was a deficit of \$121,704 at the end of the current year, an increase of \$150,500. The Fund recognized revenue, in the amount of \$150,500, which consisted of capital contributions. The fund's resources financed the construction of the library and community center in prior years. The deficit is expected to be eliminated through the collection of pledges receivable in the next fiscal year.

Proprietary funds

The Sewer Fund generated operating income of \$300,646 due to the fact that user charges were set to cover the full cost of providing services. However, net position decreased by \$773,866, due to net nonoperating revenues of \$27,663 and transfer to the Sewer fund in the amount of \$1,102,175. Total net position is \$8,756,165 at year end, of which \$228,752 is restricted for capital improvements and \$2,877,496 is unrestricted.

The Water Fund generated operating income of \$706,377 due to the fact that user charges were set to cover the full cost of providing services. Net position increased by \$1,990,610, due to net nonoperating expenses of \$19,255 and transfers from other funds in the amount of \$1,303,488 for the Adacraft project. Total net position is \$11,028,545 at year end, of which \$3,656,844 is unrestricted.

General Fund budgetary highlights

The Township amended the General Fund budget to reflect changes in anticipated revenues and expenditures which occurred during the year. Total budgeted revenues were increased by \$183,016 during the current year, primarily to increase state grant revenues \$199,016, to reflect larger than anticipated distributions from the state. Expenditures were increased by \$161,175, primarily due to an increase in general government expenditures of \$208,847, as general administration costs were increased by \$132,515.

Total actual revenues were \$25,164 more than budgeted primarily because interest revenue was \$51,650 more than expected. Total expenditures were \$353,251 less than the amounts appropriated, primarily because public works expenditures were \$217,132 less than budgeted, as certain road improvement projects were delayed.

These conditions, along with a negative \$201,313 variance in other financing uses, resulted in a positive budget variance of \$177,102 due to a \$242,691 increase in fund balance when the budget projected a \$65,589 increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital assets**

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2023, amounts to \$52,886,299, net of accumulated depreciation. This investment includes a broad range of assets, including land, sewer and water facilities, buildings, and equipment.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Land and assets and construction in progress	\$ 4,648,026	\$ 5,438,810	\$ 10,086,836
Utility systems	-	18,497,860	18,497,860
Buildings and improvements	23,577,097	-	23,577,097
Equipment	338,188	73,307	411,495
Vehicles	313,011	-	313,011
	<u>\$ 28,876,322</u>	<u>\$ 24,009,977</u>	<u>\$ 52,886,299</u>
Totals			

The major capital asset events during the current fiscal year included the following:

- Pettis Trail project costs amounted to \$3,476,065
- Roselle Park parking lot was paved at a cost of \$360,408
- Construction of three trail projects was started during the year at a cost of \$292,770
- Public safety equipment and vehicles were purchased for \$214,352
- Water system improvements, which were in progress at year end, amounted to \$2,097,275

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Township had long-term debt outstanding in the amount of \$30,521,953, which represents a net decrease of \$1,554,232. Debt was reduced by \$1,554,232 through timely principal payments and amortization of bond premiums. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities, totaling \$150,730, represent accrued compensated absences.

More detailed information about the Township's long-term debt is presented in Note 8 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township's 2024 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Township has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Julius Suchy, Township Manager Phone: (616) 676-9191
Township of Ada
7330 Thornapple River Drive
P.O. Box 370
Ada, Michigan 49301

You may also send an e-mail to any of the addresses noted below:

Ross Leisman
Township Supervisor
rleisman@adatownshipmi.com

Jacqueline Smith
Township Clerk
jsmith@adatownshipmi.com

Kevin Moran
Township Treasurer
kmoran@adatownshipmi.com

BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Ada, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the Township (the primary government), located in Kent County, and its component units described below, for which the Township is financially accountable. The Township exercises oversight responsibility over each component unit, as their governing bodies are appointed by the Township Supervisor, and their budgets must be approved by the Township Board. The Township is also obligated to provide some of its tax revenues to each component unit, through tax increment financing, which represents a financial burden on the Township. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units.

Discretely presented component units:

Ada Downtown Development Authority - The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district.

Ada Brownfield Redevelopment Authority - The Authority was established pursuant to Public Act 381 of 1996, as amended, to promote the revitalization of environmentally distressed areas within the Township.

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 of the nonfiduciary activities of the Township. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and property taxes.

The Public Safety Fund, a special revenue fund, accounts for all financial resources used by the Township to provide police and fire protection services. Revenues are primarily derived from property taxes.

The Trails Fund, a special revenue fund, accounts for financial resources used by the Township to construct and improve the nonmotorized pathway system. Revenues are primarily derived from property taxes.

The Parks and Recreation Fund, a special revenue fund, accounts for financial resources used by the Township for parks and recreation purposes, including the acquisition and maintenance of park property. Revenues are primarily derived from property taxes.

The Parks and Open Space Fund, a special revenue fund, accounts for financial resources used by the Township for parks and recreation purposes, and to preserve land. Revenues are primarily derived from property taxes from an expired millage.

The ARPA Fund, a special revenue fund, is used to account for restricted resources provided by the American Rescue Plan Act. Revenues are derived from a federal grant.

The Envision Ada Fund, a capital project fund, accounts for the financial resources used by the Township to make infrastructure improvements related to the "Envision Ada" project. Resources are derived from bond proceeds and contributions.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Water Fund accounts for the activities of the Township's water distribution system.

The Township also reports a custodial fund, the Tax Collection Fund, which accounts for assets held by the Township in a fiduciary capacity for other governments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, deferred inflows of resources, and equity:

Cash and investments - Cash consists of cash on hand, demand deposits, and highly-liquid, short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income. Pooled interest income is allocated proportionately to all funds and component units.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Prepays - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund statements and the government-wide financial statements.

Inventory - Inventories, reported in the proprietary funds, are valued at the lower of cost or market. Cost is determined under the first-in, first-out method.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems), 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 \$3,000 (\$10,000 for infrastructure assets) 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 acquisition value as of the date received. The Township elected to account for infrastructure assets of governmental activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

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

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure - utility systems	67 years

Unearned revenue - Unearned revenue represents resources related to a federal grant, which have been received, but not yet been earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Assets, liabilities, deferred inflows of resources, and equity (continued):*

Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township reports two items in this category: pledges and leases receivable. The pledges, which are recognized as they become available (collected within 60 days after the end of the Township's fiscal year) in the governmental fund financials, are deferred and recognized as an inflow of resources in the period that the revenues become available. Lease revenue, which is reported in the governmental activities, is recognized as it is collected.

Net position - Net position represents the difference between assets and liabilities. The Township reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

Net position flow assumption - Sometimes, the Township will 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 funds 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 equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balance. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. It is the Township's policy to recognize revenue from the tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variance:

<u>Entity</u>	<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government	General	Other financing uses	Transfers out	\$ -	\$ 201,313	\$ 201,313

Fund balance deficit - The Envision Ada Fund, a capital project fund, has a fund balance deficit of \$121,704. The deficit occurred because project costs exceeded available resources. The deficit is expected to be eliminated as pledges receivable, in the amount of \$200,850 at year end, are collected.

NOTE 3 - CASH AND INVESTMENTS

At March 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Primary government</u>	<u>Custodial activities</u>	<u>Component units</u>	<u>Totals</u>
<i>Per financial statements:</i>						
Cash	\$ 6,960,423	\$ 3,877,304	\$ 10,837,727	\$ 73,155	\$ 1,236,466	\$ 12,147,348
Investments	<u>14,087,191</u>	<u>3,014,586</u>	<u>17,101,777</u>	-	-	<u>17,101,777</u>
Totals	<u>\$ 21,047,614</u>	<u>\$ 6,891,890</u>	<u>\$ 27,939,504</u>	<u>\$ 73,155</u>	<u>\$ 1,236,466</u>	<u>\$ 29,249,125</u>
<i>Composition:</i>						
Cash on hand	\$ 450	\$ -	\$ 450	\$ -	\$ -	\$ 450
Deposits	6,959,973	3,877,304	10,837,277	73,155	1,236,466	12,146,898
Investments	<u>14,087,191</u>	<u>3,014,586</u>	<u>17,101,777</u>	-	-	<u>17,101,777</u>
Totals	<u>\$ 21,047,614</u>	<u>\$ 6,891,890</u>	<u>\$ 27,939,504</u>	<u>\$ 73,155</u>	<u>\$ 1,236,466</u>	<u>\$ 29,249,125</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township’s investment policy authorize the Township to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township’s deposits are in accordance with statutory authority.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2023, \$11,565,559 of the Township's bank balances of \$12,315,559 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township maintains individual and pooled bank accounts for all of its funds and its component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component units.

Investments - State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act. The Township's investment policy does not address credit risk or interest rate risk for investments.

The Township's investments are summarized as follows:

<u>Investment</u>	<u>Fair value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Source</u>
U.S. government securities -				
FNMA collateralized mortgage obligations	\$ 654,881	2050	Aaa	S&P
Municipal bonds - Great Lake Water Authority	407,348	2025	AA-	S&P
Michigan CLASS Pool	14,642,249	N/A	N/A	
Kent County Pool	<u>1,397,299</u>	N/A	N/A	
 Total investments	 <u>\$ 17,101,777</u>			

Fair value measurement - The Township categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurement as of March 31, 2023:

- U.S. government securities and agency are valued using observable fair values of similar assets (Level 2).

Investments in entities that calculate net asset value per share - The Township holds shares in investment pools where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. At March 31, 2023, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	<u>Michigan CLASS Pool</u>	<u>Kent County Pool</u>
Fair value at March 31, 2023	\$ 14,642,249	\$ 1,397,299
Unfunded commitments	none	none
Redemption frequency	n/a	n/a
Notice period	none	none

NOTE 3 - CASH AND INVESTMENTS (Continued)

The Michigan CLASS investment Pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The Pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Kent County Investment Pool is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. This Pool, which is a nonrisk categorized qualifying investment, is carried at fair value. The fair value of the Township's position in the Pool is the same as the value of its pool shares. The Pool operates like a money market fund, with each share valued at \$1, and is not rated (credit risk); it is not subject to regulatory oversight and is not registered with the SEC; the Pool issues a separate report, which is available at 300 Monroe Avenue, N.W., Grand Rapids, Michigan 49503-2221.

The Township's investments are subject to certain types of risk, which are discussed below:

Custodial credit risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State law does not require, and the Township's investment policy does not contain, requirements that would limit the exposure to custodial credit risk for investments. At year end, the U.S. government investments were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township.

Credit risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Township's investment policy does not contain requirements that would limit the exposure to credit risk for investments. Obligations of the U.S. government are not considered to have credit risk. The ratings for each investment held at year end are identified above.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributable to the magnitude of the Township's investment in a single holding. The Township's investment policy and state statutes place no limitations on the amount that can be invested in any one issuer.

Interest rate risk - Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township's investment policy has no specific limitations with respect to maturities of investments. The maturities of the Township's investments are identified above.

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2023, for the Township's funds and its component units, all of which are considered fully collectible, were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Pledges</u>	<u>Totals</u>
Governmental:					
General	\$ 14,274	\$ 80,634	\$ 241,717	\$ -	\$ 336,625
Public Safety	21,189	-	-	-	21,189
Trails	22,566	-	5,259	-	27,825
Parks and Recreation	9,651	-	60,619	-	70,270
Envision Ada	-	-	-	200,850	200,850
Total governmental	<u>\$ 67,680</u>	<u>\$ 80,634</u>	<u>\$ 307,595</u>	<u>\$ 200,850</u>	<u>\$ 656,759</u>
Proprietary:					
Sewer	\$ -	\$ 519,185	\$ -	\$ -	\$ 519,185
Water	-	359,296	-	-	359,296
Nonmajor	-	182,758	-	-	182,758
Total proprietary	<u>\$ -</u>	<u>\$ 1,061,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,239</u>
Component units:					
Ada Downtown Development Authority	<u>\$ 4,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,742</u>

NOTE 5 - LEASES RECEIVABLE

The Township has entered into several agreements with corporations to lease space for communications equipment on the Township's water tower. The terms of these agreements vary as monthly payments range from \$1,537 to \$2,420, include annual increases of 3 percent to periodic increases of 10 percent, and have varying lengths. The lessees can typically terminate these leases upon written notice dependent upon specific conditions within the contracts.

For the year ended March 31, 2023, the Township recognized \$25,000 in lease revenue and \$45,288 in lease interest revenue. Future payments due to the Township under the lease agreements, calculated at present value, are as follows for the years ending March 31:

<i>Year ended</i>				
<u>March 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>	
2024	\$ 26,570	\$ 44,271	\$1,449,146	
2025	27,937	43,474	1,421,209	
2026	29,362	42,636	1,391,847	
2027	30,847	41,755	1,361,000	
2028	36,440	40,830	1,324,560	
2029-2033	214,081	186,679	1,110,479	
2034-2038	291,615	150,106	818,864	
2039-2043	407,610	99,972	411,254	
2034-2047	<u>411,254</u>	<u>31,378</u>	<u>-</u>	
Totals	<u>\$1,475,716</u>	<u>\$ 681,101</u>	<u>\$ -</u>	

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2023, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,894,848	\$ -	\$ -	\$ 3,894,848
Construction in progress	<u>1,309,959</u>	<u>753,178</u>	<u>(1,309,959)</u>	<u>753,178</u>
Total capital assets not being depreciated	<u>5,204,807</u>	<u>753,178</u>	<u>(1,309,959)</u>	<u>4,648,026</u>
Capital assets being depreciated:				
Buildings and improvements	26,953,562	4,876,831	-	31,830,393
Equipment	1,618,362	76,938	(137,572)	1,557,728
Vehicles	<u>1,346,160</u>	<u>155,744</u>	<u>(36,200)</u>	<u>1,465,704</u>
Subtotal	<u>29,918,084</u>	<u>5,109,513</u>	<u>(173,772)</u>	<u>34,853,825</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,337,071)	(916,225)	-	(8,253,296)
Equipment	(1,291,969)	(64,456)	136,885	(1,219,540)
Vehicles	<u>(1,142,672)</u>	<u>(46,221)</u>	<u>36,200</u>	<u>(1,152,693)</u>
Subtotal	<u>(9,771,712)</u>	<u>(1,026,902)</u>	<u>173,085</u>	<u>(10,625,529)</u>
Total capital assets being depreciated	<u>20,146,372</u>	<u>4,082,611</u>	<u>(687)</u>	<u>24,228,296</u>
Governmental activities capital assets, net	<u>\$ 25,351,179</u>	<u>\$ 4,835,789</u>	<u>\$ (1,310,646)</u>	<u>\$ 28,876,322</u>
Business-type activities:				
Capital assets not being depreciated - construction in progress	<u>\$ 3,459,550</u>	<u>\$ 1,979,260</u>	<u>\$ -</u>	<u>\$ 5,438,810</u>
Capital assets being depreciated:				
Facilities	28,044,366	118,015	-	28,162,381
Buildings	41,090	-	-	41,090
Equipment	<u>137,763</u>	<u>51,246</u>	<u>-</u>	<u>189,009</u>
Subtotal	<u>28,223,219</u>	<u>169,261</u>	<u>-</u>	<u>28,392,480</u>
Less accumulated depreciation for:				
Facilities	(9,167,898)	(496,623)	-	(9,664,521)
Buildings	(41,090)	-	-	(41,090)
Equipment	<u>(107,352)</u>	<u>(8,350)</u>	<u>-</u>	<u>(115,702)</u>
Subtotal	<u>(9,316,340)</u>	<u>(504,973)</u>	<u>-</u>	<u>(9,821,313)</u>
Total capital assets being depreciated	<u>18,906,879</u>	<u>(335,712)</u>	<u>-</u>	<u>18,571,167</u>
Business-type activities capital assets, net	<u>\$ 22,366,429</u>	<u>\$ 1,643,548</u>	<u>\$ -</u>	<u>\$ 24,009,977</u>

NOTE 6 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Component unit - Downtown Development Authority:				
Capital assets being depreciated:				
Improvements	\$ 161,794	\$ -	\$ -	\$ 161,794
Less accumulated depreciation for:				
Improvements	<u>(43,144)</u>	<u>(10,786)</u>	<u>-</u>	<u>(53,930)</u>
Component unit capital assets, net	<u>\$ 118,650</u>	<u>\$ (10,786)</u>	<u>\$ -</u>	<u>\$ 107,864</u>

Depreciation expense was charged to the Township's governmental activity functions as follows:

Governmental activities:	
General government	\$ 53,192
Public safety	90,274
Public works	1,585
Recreation and culture	<u>881,851</u>
Total governmental activities	<u>\$ 1,026,902</u>

NOTE 7 - PAYABLES

Payables as of March 31, 2023, for the Township's funds and its component units, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 79,716	\$ 20,769	\$ -	\$ 100,485
Public Safety	69,324	17,471	-	86,795
Trails	214,539	2,882	-	217,421
Parks and Recreation	<u>46,921</u>	<u>3,264</u>	<u>-</u>	<u>50,185</u>
Total governmental	<u>\$ 410,500</u>	<u>\$ 44,386</u>	<u>\$ -</u>	<u>\$ 454,886</u>
Proprietary:				
Sewer	\$ 173,967	\$ 521	\$ 9,200	\$ 183,688
Water	266,131	686	12,800	279,617
Nonmajor	<u>146,206</u>	<u>1,060</u>	<u>-</u>	<u>147,266</u>
Total proprietary	<u>\$ 586,304</u>	<u>\$ 2,267</u>	<u>\$ 22,000</u>	<u>\$ 610,571</u>
Component units:				
Downtown Development Authority	\$ 5,984	\$ 1,458	\$ -	\$ 7,442
Brownfield Redevelopment Authority	<u>60,116</u>	<u>-</u>	<u>-</u>	<u>60,116</u>
Total component units	<u>\$ 66,100</u>	<u>\$ 1,458</u>	<u>\$ -</u>	<u>\$ 67,558</u>

NOTE 8 - LONG-TERM LIABILITIES

Long-term liabilities, as of March 31, 2023, are comprised of the following individual items:

Governmental activities:

Bonds: \$1,045,000 2016 Capital improvement bonds - payable in annual installments ranging from \$70,550 to \$134,560, plus interest at 2.0% to 3.0%; final payment due March 2036	\$ 751,500
\$4,720,000 2017 Capital improvement bonds - payable in annual installments ranging from \$220,000 to \$255,000, plus interest at 2.0 % to 3.0%; final payment due March 2032	3,330,000
\$15,655,000 2021 Capital improvement bonds - payable in annual installments ranging from \$630,000 to \$940,000, plus interest at 2.0000 % to 2.125%; final payment due May 2041	15,025,000
Premium - 2016 Capital improvement bonds	6,261
Premium - 2017 Capital improvement bonds	72,604
Premium - 2021 Capital improvement bonds	<u>348,229</u>
Total bonds	19,533,594
Accrued compensated absences	<u>150,730</u>
Total governmental activities long-term liabilities	<u>\$ 19,684,324</u>

Business-type activities:

Bonds: \$1,235,000 2016 Capital improvement bonds - payable in annual installments ranging from \$70,550 to \$134,560, plus interest at 2.0% to 3.0%; final payment due March 2036	\$ 888,500
\$9,675,000, 2020 Capital improvement bonds - payable in annual installments ranging from \$360,000 to \$645,000, plus interest at 2.0%; final payment due March 2040	8,580,000
\$1,765,000 2021 General obligation limited tax refunding bonds - payable in annual installments ranging from \$140,000 to \$155,000, plus interest at .50% to 1.20%; final payment due May 2031	1,330,000
Premium - 2020 Capital improvement bonds	181,551
Premium - 2016 Capital improvement bonds	<u>8,308</u>
Total business-type activities long-term liabilities	<u>\$ 10,988,359</u>

Component unit - Downtown Development Authority:

Accrued compensated absences	<u>\$ 1,493</u>
------------------------------	-----------------

NOTE 8 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended March 31, 2023, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Net change</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:						
Bonds:						
2016 Capital improvement bonds	\$ 797,500	\$ -	\$ -	\$ (46,000)	\$ 751,500	\$ 48,125
2017 CIP Bonds, Series 2	3,580,000	-	-	(250,000)	3,330,000	260,000
2021 Capital improvement bonds	<u>15,655,000</u>	<u>-</u>	<u>-</u>	<u>(630,000)</u>	<u>15,025,000</u>	<u>655,000</u>
Total bonds	20,032,500	-	-	(926,000)	19,106,500	963,125
Premium - 2016 bonds	6,775	-	-	(514)	6,261	-
Premium - 2017 CIP Bonds	83,473	-	-	(10,869)	72,604	-
Premium - 2021 CIP Bonds	<u>384,791</u>	<u>-</u>	<u>-</u>	<u>(36,562)</u>	<u>348,229</u>	<u>-</u>
Totals	20,507,539	-	-	(973,945)	19,533,594	963,125
Compensated absences	<u>139,150</u>	<u>-</u>	<u>11,580</u>	<u>-</u>	<u>150,730</u>	<u>-</u>
Total governmental activities	<u>\$ 20,646,689</u>	<u>\$ -</u>	<u>\$ 11,580</u>	<u>\$ (973,945)</u>	<u>\$ 19,684,324</u>	<u>\$ 963,125</u>
Business-type activities:						
Bonds:						
2016 Capital improvement bonds	\$ 942,500	\$ -	\$ -	\$ (54,000)	\$ 888,500	\$ 56,875
2020 CIP Bonds	8,955,000	-	-	(375,000)	8,580,000	385,000
2021 Refunding Bonds	<u>1,470,000</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>	<u>1,330,000</u>	<u>145,000</u>
Total bonds	11,367,500	-	-	(569,000)	10,798,500	586,875
Premium - 2016 bonds	8,915	-	-	(607)	8,308	-
Premium - 2020 CIP Bonds	<u>192,231</u>	<u>-</u>	<u>-</u>	<u>(10,680)</u>	<u>181,551</u>	<u>-</u>
Total business-type activities	<u>\$ 11,568,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (580,287)</u>	<u>\$ 10,988,359</u>	<u>\$ 586,875</u>
Component Unit:						
Compensated absences	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ 741</u>	<u>\$ -</u>	<u>\$ 1,493</u>	

NOTE 8 - LONG-TERM LIABILITIES (Continued)

At March 31, 2023, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i> <u>March 31:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 963,125	\$ 415,626	\$ 586,875	\$ 211,749
2025	983,125	393,614	601,875	202,042
2026	1,015,417	371,151	614,583	191,889
2027	967,708	347,893	632,292	181,302
2028	985,000	326,289	650,000	170,142
2029 - 2033	5,307,917	1,284,915	3,372,083	663,809
2034 - 2038	6,114,208	653,306	3,070,792	337,904
2039 - 2042	<u>2,770,000</u>	<u>155,053</u>	<u>1,270,000</u>	<u>43,422</u>
	<u>\$ 19,106,500</u>	<u>\$ 3,947,847</u>	<u>\$ 10,798,500</u>	<u>\$ 2,002,259</u>

All debt is secured by the full faith and credit of the Township. None of the individual items are considered direct borrowings or direct placement of debt.

NOTE 9 - LEASE PAYABLE

The Township began leasing a parking lot from a property owner in 2018. The agreement provides for an initial term of fifteen years that will extend automatically for two additional periods of ten years, unless terminated by either party. Written notice to terminate must be provided 120 days prior to the expiration of any term. Annual payments range from \$25,250 to \$35,064. An average annual payment of \$30,000 was used to calculate the present value of the lease liability.

Annual requirements to amortize the long-term obligation and related interest are as follows:

<i>Year ended</i> <u>March 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 12,360	\$ 17,640	\$ 30,000
2025	12,730	17,270	30,000
2026	13,112	16,888	30,000
2027	13,506	16,494	30,000
2028	13,911	16,089	30,000
2029 - 2033	76,070	73,930	150,000
2034 - 2038	88,186	61,814	150,000
2039 - 2043	102,233	47,767	150,000
2044 - 2049	118,516	31,484	150,000
2050 - 2053	<u>137,389</u>	<u>12,611</u>	<u>150,000</u>
Totals	<u>\$ 588,013</u>	<u>\$ 311,987</u>	<u>\$ 900,000</u>

NOTE 10 - PROPERTY TAXES

The 2022 taxable valuation of the Township approximated \$1,195,038,000, on which ad valorem taxes levied consisted of 0.8881 mills for operating purposes, 1.4000 mills for public safety, 1.4910 mills for trails, and 0.6377 mills for parks, recreation, and land preservation, raising approximately \$1,061,000 for operating purposes, \$1,673,000 for public safety, \$1,782,000 for trails, and \$762,000 for parks, recreation, and land preservation. These amounts are recognized in the fund financial statements as property tax revenue.

The 2022 taxable valuation of the Downtown Development Authority, a component unit, approximated \$188,080,000, on which ad valorem taxes levied consisted of 1.9603 mills for operating purposes raising approximately \$369,000 for operating purposes. This amount is recognized in the component unit financial statements as property tax revenue.

NOTE 11 - TAX ABATEMENTS

The Township enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Township. Each agreement was negotiated under a state law, which allows local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Township or promising to relocate within the Township. Depending on the statute referenced for a particular abatement, the Township may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Township has not made any commitments as part of the agreements other than to reduce taxes. The Township is not subject to any tax abatement agreements entered into by other governmental entities.

For the fiscal year ended March 31, 2023, the Township abated property taxes totaling \$50,438 under Public Act 198 of 1974, related to industrial facilities, which represents a 50% abatement of the millage rate on certain real and personal properties.

NOTE 12 - INTERFUND BALANCES AND TRANSFERS

At March 31, 2023, the Envision Ada Fund, a capital project fund, owes the General Fund \$600,000 related to a loan used to pay project construction costs. The loan will be repaid from the proceeds of pledged funds once received by the Township. It is anticipated that the pledged funds will be received by July, 2023. Interest on the unpaid balance of the loan shall accrue and be paid at the rate of 0.75% per annum.

During the year ended March 31, 2023, the Parks and Recreation Fund transferred \$50,000 to the Parks and Open Space Fund for future park projects. The General Fund and Sewer Fund transferred \$201,313 and \$1,102,175, respectively, to the Water Fund to fund the AdaCroft project.

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN

The Township and its employees contribute to the Ada Township Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers two classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes elected officials, the fire chief, and all full-time employees (30 hours per week). The second class of employees includes paid on-call firefighters.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of covered payroll to the first class of qualifying employees. The Township contributes an amount equal to 5% of covered payroll to the second class of qualifying employees, with a required contribution of 6.2% of compensation by all covered employees in the second class. Covered employees may voluntarily contribute up to 10% of their compensation to the Plan. For the year ended March 31, 2023, the Township and eligible employees made contributions of \$169,928 and \$27,025, respectively. At March 31, 2023, the Township reported no accrued liability as part of the contributions to the plan.

The Township's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested on the day the employee is eligible to participate in the plan, which occurs after three months of service for the first class of employees and immediately for the second class of employees.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 14 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plans were held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) 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. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township's financial statements.

NOTE 15 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 16 - ECONOMIC DEPENDENCY

For the fiscal year ended March 31, 2023, the Township received approximately 12% of its property tax revenue and 26% percent of its sewer and water utility revenue from one industrial property owner.

NOTE 17 - CONSTRUCTION COMMITMENTS

At March 31, 2023, the Township had the following contractual construction commitments:

	<u>Project authorization</u>	<u>Expended through March 31, 2023</u>	<u>Committed</u>
Adatowne and Adacroft improvements	\$ 5,844,462	\$ 5,675,033	\$ 169,429
Roselle Park parking lot	365,962	360,408	5,554
Pettis Avenue trail	3,126,749	3,048,957	77,792
Cascade Road trail	<u>213,526</u>	<u>201,558</u>	<u>11,968</u>
Total	<u>\$ 9,550,699</u>	<u>\$ 9,285,956</u>	<u>\$ 264,743</u>

The watermain improvements are being funded through the issuance of capital improvement bonds in fiscal year 2021. The trail and nonmotorized path improvements are being funded through a bond issued in fiscal year 2022.

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLES

During the year ended March 31, 2023, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information related to the Township's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The new guidance requires the Township to recognize both a lease receivable and a lease payable. As a lessor, the Township is required to recognize a lease receivable, and a corresponding deferred inflow, related to the leases for space for communications equipment on the Township's water tower. The lease receivable and deferred inflow are recorded in the Township's governmental activities. As a lessee, the Township is required to recognize a lease liability and an intangible right to use lease asset related to the lease of a parking lot from a property owner. The lease asset and liability are recorded in the Township's governmental activities.

The Township also implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which replaces GASB Statement No. 16, *Accounting For Compensated Absences*, in fiscal year 2023. The goal of the new standard is to create a more consistent model to account for compensated absences that can be applied to all types of compensated absence arrangements. These changes were incorporated in the Township's fiscal year 2023 financial statements and had no effect on the beginning fund balance or net position of any fund.

NOTE 19 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been recorded in fiscal year 2023 to implement GASB No. 87, *Leases*, and to correct an error related to an overstatement of accumulated depreciation in the prior year, which resulted in the restatement of opening net position. Net position, as of March 31, 2023, included in the financial statements, represents restated balances, as presented below.

	<u>Governmental activities</u>	<u>Water Fund</u>	<u>Business-type activities</u>
Net position, beginning of year, as previously reported	\$ 26,697,639	\$ 8,733,301	\$ 18,804,127
Change in accounting principal (GASB No. 87):			
Add lease receivable	1,500,716	-	-
Add deferred inflow related to lease receivable	(1,500,716)	-	-
Add right to use intangible asset	570,946	-	-
Add lease liability	(600,013)	-	-
Correction of an error:			
Overstatement of accumulated depreciation	-	304,634	304,634
Net position, beginning of year, as restated	<u>\$ 26,668,572</u>	<u>\$ 9,037,935</u>	<u>\$ 19,108,761</u>

NOTE 20 - PENDING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION