

Township of Ada
Kent County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Township Board of Trustees
Township of Ada, Michigan

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, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

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 of Ada, Michigan, as of March 31, 2019, 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.

Correction of an Error

As described in Note 17 to the financial statements, the Township recorded a prior period adjustment to reclassify a prior year capital contribution from its governmental activities to its business-type activities.

Other Matters

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, 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 of Ada, Michigan's basic financial statements. The component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The component units' financial statements (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

August 26, 2019

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, 2019. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$8,244,256 (26 percent) as a result of this year's activities. The net position of the governmental activities increased by \$7,553,014, and the net position of the business-type activities increased by \$691,242.
- Of the \$39,407,320 total net position reported, \$8,771,641 (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 \$2,948,316, which represents 88 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 general government services, like 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 an agent 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 2019 and 2018 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 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 are reported in a separate Statement of Fiduciary Assets and Liabilities. 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 \$39,407,320. Of this total, \$22,183,279 represents a net investment in capital assets and \$8,452,400 is restricted for various purposes. Consequently, unrestricted net position was \$8,771,641, or 22 percent of the total.

Condensed financial information
Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 14,196,859	\$ 11,610,294	\$ 5,772,263	\$ 5,043,663	\$ 19,969,122	\$ 16,653,957
Capital assets	<u>15,609,533</u>	<u>11,099,963</u>	<u>14,834,517</u>	<u>15,125,405</u>	<u>30,444,050</u>	<u>26,225,368</u>
Total assets	<u>29,806,392</u>	<u>22,710,257</u>	<u>20,606,780</u>	<u>20,169,068</u>	<u>50,413,172</u>	<u>42,879,325</u>
Current and other liabilities	744,463	470,139	281,782	376,555	1,026,245	846,694
Long-term debt outstanding	<u>6,940,503</u>	<u>7,671,706</u>	<u>3,039,104</u>	<u>3,197,861</u>	<u>9,979,607</u>	<u>10,869,567</u>
Total liabilities	<u>7,684,966</u>	<u>8,141,845</u>	<u>3,320,886</u>	<u>3,574,416</u>	<u>11,005,852</u>	<u>11,716,261</u>
Net position:						
Net investment in capital assets	10,387,866	8,642,260	11,795,413	12,162,234	22,183,279	20,804,494
Restricted	8,452,400	2,096,514	-	-	8,452,400	2,096,514
Unrestricted	<u>3,281,160</u>	<u>3,829,638</u>	<u>5,490,481</u>	<u>4,432,418</u>	<u>8,771,641</u>	<u>8,262,056</u>
Total net position	<u>\$ 22,121,426</u>	<u>\$ 14,568,412</u>	<u>\$ 17,285,894</u>	<u>\$ 16,594,652</u>	<u>\$ 39,407,320</u>	<u>\$ 31,163,064</u>

As described in Note 17 to the financial statements, the Township corrected the classification of a prior year capital contribution, which increased net position of the business-type activities and reduced net position of the governmental activities by \$800,829.

Changes in net position

The Township's total revenues for the current fiscal year amounted to \$17,319,600, compared to \$10,596,324 in the prior year. Charges for services account for approximately 30 percent of the Township's revenues, while property taxes account for 16 percent of the total revenues. State grants accounts for about 7 percent of the Township's revenues. Capital grants accounted for 44 percent of total revenues in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of the Township's programs for fiscal year 2019, covering a wide range of services, totaled \$9,075,344. Approximately 44 percent of the Township's costs relates to the provision of utility services. General government and public safety (police, fire protection, and inspections) represent 16 and 14 percent of total expenses, respectively.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for services	\$ 306,164	\$ 282,885	\$ 4,818,618	\$ 4,494,001	\$ 5,124,782	\$ 4,776,886
Operating grants and contributions	11,559	40,386	77,621	-	89,180	40,386
Capital grants and contributions	7,616,617	585,377	-	800,829	7,616,617	1,386,206
General revenues:						
Property taxes	2,781,980	2,744,899	-	-	2,781,980	2,744,899
State grants	1,254,469	1,269,575	-	-	1,254,469	1,269,575
Franchise fees	273,774	284,977	-	-	273,774	284,977
Interest	125,273	62,921	53,525	30,474	178,798	93,395
Total revenues	<u>12,369,836</u>	<u>5,271,020</u>	<u>4,949,764</u>	<u>5,325,304</u>	<u>17,319,600</u>	<u>10,596,324</u>
Expenses:						
General government	1,409,967	1,329,939	-	-	1,409,967	1,329,939
Public safety	981,316	996,859	299,895	237,661	1,281,211	1,234,520
Public works	773,474	1,527,124	-	-	773,474	1,527,124
Recreation and culture	1,309,556	956,378	-	-	1,309,556	956,378
Community and economic development	167,094	149,027	-	-	167,094	149,027
Interest and issuance costs	175,415	93,421	-	-	175,415	93,421
Sewer	-	-	1,870,458	1,772,030	1,870,458	1,772,030
Water	-	-	2,088,169	2,018,440	2,088,169	2,018,440
Total expenses	<u>4,816,822</u>	<u>5,052,748</u>	<u>4,258,522</u>	<u>4,028,131</u>	<u>9,075,344</u>	<u>9,080,879</u>
Changes in net position	<u>\$ 7,553,014</u>	<u>\$ 218,272</u>	<u>\$ 691,242</u>	<u>\$ 1,297,173</u>	<u>\$ 8,244,256</u>	<u>\$ 1,515,445</u>
Net position, end of year	<u>\$ 22,121,426</u>	<u>\$ 14,568,412</u>	<u>\$ 17,285,894</u>	<u>\$ 16,594,652</u>	<u>\$ 39,407,320</u>	<u>\$ 31,163,064</u>

As described in Note 17 to the financial statements, the Township corrected the classification of a prior year capital contribution, which increased capital grants and contributions revenues of the business-type activities and reduced capital grants and contributions revenues of the governmental activities by \$800,829.

Governmental activities

Governmental activities increased the Township's net position by \$7,553,014 in the current year, compared to a \$218,272 increase in the prior year. The increase in net position was much higher in the current year as revenues increased by \$7,098,816 and expenses decreased by \$235,926. The substantial increase in revenues is related to a \$7,031,240 increase in capital contributions, most of which related to contributions associated with the new library and community center. Expenses decreased primarily due to a \$753,650 reduction in public works costs associated with infrastructure improvements, not owned by the Township, in the prior year.

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	\$ 1,409,967	\$ (1,300,740)
Public safety	981,316	(980,820)
Recreation and culture	1,309,556	6,254,361
Other	<u>1,115,983</u>	<u>(855,283)</u>
Totals	<u>\$ 4,816,822</u>	<u>\$ 3,117,518</u>

The total cost of governmental activities this year was \$4,816,822 compared to \$5,052,748 in the prior year. However, the amount that our taxpayers paid for these activities through general revenues was \$3,117,518. Some of the cost was paid by:

- Those who directly benefited from the programs (\$306,164), or
- Other governments and individuals that subsidized certain programs with grants and contributions (\$7,628,176).

The Township paid for the \$3,117,518 "public benefit" portion with \$4,435,496 in general revenues, such as property taxes, state grants, and interest income.

Business-type activities

Business-type activities increased the Township's net position by \$691,242 in the current year compared to an increase of \$1,279,173 in the prior year. Net position has increased because customer charges are sufficient to cover all operating and nonoperating costs, including depreciation.

Net position increased in the current year even though expenses increased by \$230,391 (5.7 percent), as revenues, related to charges for services increased by \$324,617 (7.2 percent) due to an increase in utility rates. The increase in expenses is related to an increase in costs associated with contracted services. Total revenues were down by \$375,540 due to the recognition of an \$800,829 capital contribution in the prior year.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of March 31, 2019, the Township's governmental funds reported combined ending fund balances of \$10,873,910, which represents a decrease of \$405,385 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 \$3,186,963, though unassigned fund balance amounted to \$2,948,316. Expenditures exceeded revenues by \$345,314, and net transfers out, amounting to \$43,106, caused the fund balance to decrease by \$388,420 in the current year. Significant capital outlay expenditures, in the amount of \$744,621, primarily related to the construction of the museum, were the primary reason for the decrease in fund balance.

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 \$592,400, a decrease of \$273,073. Expenditures (\$1,166,642) exceeded revenues (\$893,569) in the current year, primarily due to significant capital outlay expenditures, in the amount of \$314,160, associated with the fire station bunk house. 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 \$514,221, a decrease of \$147,419, as expenditures (\$775,881) exceeded revenues (\$528,462) and a \$100,000 transfer from the General Fund. The decrease in fund balance can be primarily attributed to substantial trail maintenance costs in the current year. The fund's expenditures include debt service and trail improvement and maintenance costs.
- The fund balance of the Parks and Land Preservation Fund at the end of the fiscal year was \$721,339, a decrease of \$398,130. The fund's revenues (\$9,791) were insufficient to cover the fund's expenditures (\$407,921) in the current year. The fund's restricted tax millage has expired, but the remaining fund balance is restricted for parks and land preservation costs.
- The fund balance of the Parks and Recreation Fund at the end of the fiscal year was \$61,445, a decrease of \$40,426. Fund balance decreased as revenues (\$1,773) were insufficient to cover expenditures (\$42,199) in the current year. The fund's restricted tax millage has expired, but the remaining fund balance is restricted for parks and recreation costs. Once the fund balance is depleted, all parks and recreation costs will be financed by the Parks, Recreation, and Land Preservation Fund.
- The fund balance of the Parks, Recreation, and Land Preservation Fund at the end of the fiscal year was \$809,543. Revenues (\$730,499) exceeded expenditures (\$499,142) and a \$56,894 transfer to the General Fund, to pay the fund's share of debt service costs, in the current year.
- The fund balance of the Envision Ada Fund, a capital project fund, was \$4,987,999 at the end of the current year, an increase of \$667,620. Capital contributions, in the amount of \$2,067,191 caused the fund balance to increase. The fund's resources financed infrastructure improvements associated with the Envision Ada project and the library and community center construction, which amounted to \$918,853 and \$496,053, respectively, in the current year. The remaining fund balance is expected to be used to finance additional infrastructure improvements in the subsequent year.

Proprietary funds

The Sewer Fund generated operating income of \$404,201 and net position increased by \$454,699. The increase in net position is due to the fact that user charges were set to cover the full cost of providing services. Total net position is \$8,082,654 at year end, of which \$2,832,413 is unrestricted.

The Water Fund generated operating income of \$132,240 and net position increased by \$175,799. The increase in net position is due to the fact that user charges have been set to cover the full cost of providing services. Total net position is \$8,747,548 at year end, of which \$2,202,376 is unrestricted.

General Fund budgetary highlights

Budgeted revenues were increased by \$32,029 during the current year, primarily to increase state grants and interest income by \$16,258 and \$15,771, respectively. Expenditures were increased by \$357,235, primarily to increase public works expenditures by \$350,696, related to anticipated road improvement costs.

Total actual revenues were \$164,060 less than budgeted primarily because intergovernmental revenues were \$80,627 less than planned, as the Downtown Development Authority's contributions were lower than planned, and contributions were \$65,528 less than anticipated. Expenditures were \$523,782 less than the amounts appropriated, as every function was under budget. The largest variance related to public works where road improvement expenditures were \$309,920 less than appropriated.

These conditions, along with net other financing uses being \$786 more than budgeted, resulted in a \$358,936 positive budget variance, with a \$388,420 decrease in fund balance compared to a budgeted decrease of \$747,356.

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, 2019, amounts to \$28,103,584, 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 construction in progress	\$ 4,708,203	\$ -	\$ 4,708,203
Facilities	-	14,827,190	14,827,190
Buildings and improvements	7,857,917	2,783	7,860,700
Equipment	386,755	4,544	391,299
Vehicles	316,192	-	316,192
	<u>\$ 13,269,067</u>	<u>\$ 14,834,517</u>	<u>\$ 28,103,584</u>
Totals			

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

- Settlers Grove Park improvements totaled \$879,098 in the current year
- Averill Museum construction costs amounted to \$613,874
- Library and Community Center preliminary engineering costs were \$496,053
- Tennis and pickle ball courts were constructed at a cost of \$344,758
- A bunk house was constructed at Fire Station #1 for \$305,786
- Water system improvements amounted to \$53,517
- Sewer system improvements amounted to \$39,036

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Township had long-term outstanding in the amount of \$9,979,607, which represents a decrease of \$889,960. The decrease represents timely principal payments, in the amount of \$875,000 and amortization of premiums, in the amount of \$14,960. No new debt was issued. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities, totaling \$120,530, represent accrued compensated absences.

More detailed information about the Township's noncurrent obligations is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township's 2020 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. The Township anticipates continued construction costs related to the Envision Ada Project.

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:

George Haga, Township Supervisor
Township of Ada
7330 Thornapple River Drive
P.O. Box 370
Ada, Michigan 49301

Phone: (616) 676-9191

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

George Haga
Township Supervisor
ghaga@adatownshipmi.com

Jacqueline Smith
Township Clerk
jsmith@adatownshipmi.com

Kevin Moran
Township Treasurer
kmoran@adatownshipmi.com

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

March 31, 2019

	Primary government			Component units	
	Governmental activities	Business-type activities	Totals	Ada Downtown Development Authority	Ada Brownfield Redevelopment Authority
ASSETS					
Current assets:					
Cash	\$ 10,101,775	\$ 4,950,656	\$ 15,052,431	\$ 521,027	\$ -
Investments	1,017,102	88,518	1,105,620	-	-
Receivables	3,062,488	727,798	3,790,286	1,661	-
Prepaid expenses	15,494	-	15,494	-	-
Inventory	-	5,291	5,291	-	-
Total current assets	<u>14,196,859</u>	<u>5,772,263</u>	<u>19,969,122</u>	<u>522,688</u>	<u>-</u>
Noncurrent assets:					
Receivables	2,340,466	-	2,340,466	-	-
Capital assets not being depreciated	4,708,203	-	4,708,203	151,008	-
Capital assets, net of depreciation	<u>8,560,864</u>	<u>14,834,517</u>	<u>23,395,381</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>15,609,533</u>	<u>14,834,517</u>	<u>30,444,050</u>	<u>151,008</u>	<u>-</u>
Total assets	<u>29,806,392</u>	<u>20,606,780</u>	<u>50,413,172</u>	<u>673,696</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Payables	623,933	281,782	905,715	5,338	-
Bonds payable - due within one year	<u>739,450</u>	<u>165,550</u>	<u>905,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>1,363,383</u>	<u>447,332</u>	<u>1,810,715</u>	<u>5,338</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	120,530	-	120,530	1,110	-
Bonds payable	<u>6,201,053</u>	<u>2,873,554</u>	<u>9,074,607</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>6,321,583</u>	<u>2,873,554</u>	<u>9,195,137</u>	<u>1,110</u>	<u>-</u>
Total liabilities	<u>7,684,966</u>	<u>3,320,886</u>	<u>11,005,852</u>	<u>6,448</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	10,387,866	11,795,413	22,183,279	-	-
Restricted for:					
Recreation and culture	1,815,480	-	1,815,480	-	-
Capital acquisitions	6,636,920	-	6,636,920	-	-
Unrestricted	<u>3,281,160</u>	<u>5,490,481</u>	<u>8,771,641</u>	<u>667,248</u>	<u>-</u>
Total net position	<u>\$ 22,121,426</u>	<u>\$ 17,285,894</u>	<u>\$ 39,407,320</u>	<u>\$ 667,248</u>	<u>\$ -</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended March 31, 2019

Functions/Programs	Net (expenses) revenues and changes in net position								
	Expenses	Program revenues			Primary government			Component units	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	Ada Downtown Development Authority	Ada Brownfield Redevelopment Authority
Primary government									
Governmental activities:									
General government	\$ 1,409,967	\$ 109,227	\$ -	\$ -	\$ (1,300,740)	\$ (1,300,740)			
Public safety	981,316	496	-	-	(980,820)	(980,820)			
Public works	773,474	57,479	11,559	178,872	(525,564)	(525,564)			
Recreation and culture	1,309,556	126,172	-	7,437,745	6,254,361	6,254,361			
Community and economic development	167,094	12,790	-	-	(154,304)	(154,304)			
Interest and fees on long-term debt	175,415	-	-	-	(175,415)	(175,415)			
Total governmental activities	<u>4,816,822</u>	<u>306,164</u>	<u>11,559</u>	<u>7,616,617</u>	<u>3,117,518</u>	<u>3,117,518</u>			
Business-type activities:									
Sewer	1,870,458	2,219,713	77,621	-	\$ 426,876	426,876			
Water	2,088,169	2,243,169	-	-	155,000	155,000			
Inspections	299,895	355,736	-	-	55,841	55,841			
Total business-type activities	<u>4,258,522</u>	<u>4,818,618</u>	<u>77,621</u>	<u>-</u>	<u>637,717</u>	<u>637,717</u>			
Total primary government	<u>\$ 9,075,344</u>	<u>\$ 5,124,782</u>	<u>\$ 89,180</u>	<u>\$ 7,616,617</u>	<u>3,117,518</u>	<u>637,717</u>	<u>3,755,235</u>		
Component units									
Downtown Development Authority	\$ 337,366	\$ 7,970	\$ -	\$ -			\$ (329,396)	\$ -	
Brownfield Redevelopment Authority	64,586	-	-	-			-	(64,586)	
Total component units	<u>\$ 401,952</u>	<u>\$ 7,970</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ (329,396)</u>	<u>\$ (64,586)</u>	
General revenues:									
Property taxes				2,781,980	-	2,781,980	312,373	64,586	
State shared revenue				1,172,859	-	1,172,859	-	-	
Local community stabilization share revenue				81,610	-	81,610	138,642	-	
Franchise fees				273,774	-	273,774	-	-	
Unrestricted interest income				125,273	53,525	178,798	4,558	-	
Total general revenues				<u>4,435,496</u>	<u>53,525</u>	<u>4,489,021</u>	<u>455,573</u>	<u>64,586</u>	
Changes in net position				7,553,014	691,242	8,244,256	126,177	-	
Net position - beginning				<u>14,568,412</u>	<u>16,594,652</u>	<u>31,163,064</u>	<u>541,071</u>	<u>-</u>	
Net position - ending				<u>\$ 22,121,426</u>	<u>\$ 17,285,894</u>	<u>\$ 39,407,320</u>	<u>\$ 667,248</u>	<u>\$ -</u>	

See notes to financial statements

	Special revenue						Capital Project	Total governmental funds
	General	Public Safety	Trails	Parks and Land Preservation	Parks and Recreation	Parks, Recreation, and Land Preservation	Envision Ada	
ASSETS								
Cash	\$ 2,712,916	\$ -	\$ 491,577	\$ 723,817	\$ 35,227	\$ 824,137	\$ 5,314,101	\$ 10,101,775
Investments	129,218	857,816	-	-	30,068	-	-	1,017,102
Receivables	264,718	13,155	47,916	-	-	11,383	5,065,782	5,402,954
Due from other funds	201,767	-	-	-	-	-	-	201,767
Prepaid expenditures	15,494	-	-	-	-	-	-	15,494
Total assets	<u>\$ 3,324,113</u>	<u>\$ 870,971</u>	<u>\$ 539,493</u>	<u>\$ 723,817</u>	<u>\$ 65,295</u>	<u>\$ 835,520</u>	<u>\$ 10,379,883</u>	<u>\$ 16,739,092</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Payables	\$ 137,150	\$ 76,804	\$ 25,272	\$ 2,478	\$ 3,850	\$ 25,977	\$ 326,102	\$ 597,633
Due to other funds	-	201,767	-	-	-	-	-	201,767
Total liabilities	<u>137,150</u>	<u>278,571</u>	<u>25,272</u>	<u>2,478</u>	<u>3,850</u>	<u>25,977</u>	<u>326,102</u>	<u>799,400</u>
Deferred inflows of resources - unavailable contributions	-	-	-	-	-	-	5,065,782	5,065,782
Fund balances:								
Nonspendable - prepaids	15,494	-	-	-	-	-	-	15,494
Restricted for:								
Public works	-	-	-	-	-	-	3,416,861	3,416,861
Recreation and culture	223,153	-	-	721,339	29,774	809,543	-	1,783,809
Arboretum	-	-	-	-	31,671	-	-	31,671
Capital acquisitions	-	-	-	-	-	-	1,571,138	1,571,138
Assigned for:								
Debt service	-	-	514,221	-	-	-	-	514,221
Capital purchases	-	592,400	-	-	-	-	-	592,400
Unassigned	2,948,316	-	-	-	-	-	-	2,948,316
Total fund balances	<u>3,186,963</u>	<u>592,400</u>	<u>514,221</u>	<u>721,339</u>	<u>61,445</u>	<u>809,543</u>	<u>4,987,999</u>	<u>10,873,910</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,324,113</u>	<u>\$ 870,971</u>	<u>\$ 539,493</u>	<u>\$ 723,817</u>	<u>\$ 65,295</u>	<u>\$ 835,520</u>	<u>\$ 10,379,883</u>	<u>\$ 16,739,092</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 10,873,910

Amounts reported for *governmental activities* in the statement of net position (page 13) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 13,269,067

Pledges receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 5,065,782

Expense accruals:
Interest payable (26,300)
Compensated absences (120,530)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (6,940,503)

Net position of *governmental activities* \$ 22,121,426

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended March 31, 2019

	Special revenue						Capital Project	Total governmental funds
	General	Public Safety	Trails	Parks and Land Preservation	Parks and Recreation	Parks, Recreation, and Land Preservation	Envision Ada	
REVENUES								
Property taxes	\$ 873,171	\$ 876,294	\$ 453,355	\$ -	\$ -	\$ 599,554	\$ -	\$ 2,802,374
Licenses and permits	273,774	-	-	-	-	-	-	273,774
State grants	1,211,531	2,409	69,557	-	-	4,031	-	1,287,528
Intergovernmental	178,872	-	-	-	-	-	-	178,872
Charges for services	87,734	-	-	-	-	42,923	-	130,657
Interest and rentals	95,417	14,370	4,022	9,791	1,773	29,337	53,758	208,468
Other	298,512	496	1,528	-	-	54,654	2,067,191	2,422,381
Total revenues	3,019,011	893,569	528,462	9,791	1,773	730,499	2,120,949	7,304,054
EXPENDITURES								
Current:								
General government	1,316,921	-	-	-	-	-	-	1,316,921
Public safety	-	852,482	-	-	-	-	-	852,482
Public works	694,041	-	-	-	-	-	1,453,329	2,147,370
Recreation and culture	-	-	308,811	-	-	472,476	-	781,287
Community and economic development	166,694	-	-	-	-	-	-	166,694
Debt service:								
Principal	276,850	-	440,000	-	-	-	-	716,850
Interest and fees	165,198	-	27,070	-	-	-	-	192,268
Capital outlay	744,621	314,160	-	407,921	42,199	26,666	-	1,535,567
Total expenditures	3,364,325	1,166,642	775,881	407,921	42,199	499,142	1,453,329	7,709,439
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(345,314)	(273,073)	(247,419)	(398,130)	(40,426)	231,357	667,620	(405,385)
OTHER FINANCING SOURCES (USES)								
Transfers in	56,894	-	100,000	-	-	-	-	156,894
Transfers out	(100,000)	-	-	-	-	(56,894)	-	(156,894)
Net other financing sources (uses)	(43,106)	-	100,000	-	-	(56,894)	-	-
NET CHANGES IN FUND BALANCES	(388,420)	(273,073)	(147,419)	(398,130)	(40,426)	174,463	667,620	(405,385)
FUND BALANCES - BEGINNING	3,575,383	865,473	661,640	1,119,469	101,871	635,080	4,320,379	11,279,295
FUND BALANCES - ENDING	\$ 3,186,963	\$ 592,400	\$ 514,221	\$ 721,339	\$ 61,445	\$ 809,543	\$ 4,987,999	\$ 10,873,910

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds \$ (405,385)

Amounts reported for *governmental activities* in the statement of activities (page 14) are different because:

Capital assets:

Assets acquired	2,833,711
Assets disposed, net	(300)
Provision for depreciation	(664,307)

Long-term debt:

Amortization of bond premium	14,353
Principal payments	716,850

Changes in other assets/liabilities:

Net increase in compensated absences	(10,190)
Net decrease in interest payable	2,500

Change in deferred inflows of resources - increase in unavailable capital contributions 5,065,782

Change in net position of *governmental activities* \$ 7,553,014

Township of Ada

STATEMENT OF NET POSITION - proprietary funds

March 31, 2019

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 2,522,940	\$ 1,974,390	\$ 453,326	\$ 4,950,656
Investments	-	88,518	-	88,518
Receivables	467,270	245,945	14,583	727,798
Inventory	-	5,291	-	5,291
	<u>2,990,210</u>	<u>2,314,144</u>	<u>467,909</u>	<u>5,772,263</u>
Total current assets				
Noncurrent assets:				
Capital assets, net of depreciation	<u>7,378,141</u>	<u>7,456,376</u>	-	<u>14,834,517</u>
	<u>10,368,351</u>	<u>9,770,520</u>	<u>467,909</u>	<u>20,606,780</u>
Total assets				
LIABILITIES				
Current liabilities:				
Payables	157,797	111,768	12,217	281,782
Bonds payable - due within one year	<u>117,336</u>	<u>48,214</u>	-	<u>165,550</u>
	275,133	159,982	12,217	447,332
Total current liabilities				
Noncurrent liabilities - bonds payable	<u>2,010,564</u>	<u>862,990</u>	-	<u>2,873,554</u>
	<u>2,285,697</u>	<u>1,022,972</u>	<u>12,217</u>	<u>3,320,886</u>
Total liabilities				
NET POSITION				
Net investment in capital assets	5,250,241	6,545,172	-	11,795,413
Unrestricted	<u>2,832,413</u>	<u>2,202,376</u>	<u>455,692</u>	<u>5,490,481</u>
	<u>\$ 8,082,654</u>	<u>\$ 8,747,548</u>	<u>\$ 455,692</u>	<u>\$ 17,285,894</u>
Total net position				

See notes to financial statements

Township of Ada

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - *proprietary funds*

Year ended March 31, 2019

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 2,161,081	\$ 2,055,251	\$ -	\$ 4,216,332
Inspection fees	-	-	355,736	355,736
Hydrant rentals	-	78,473	-	78,473
	<u>2,161,081</u>	<u>2,133,724</u>	<u>355,736</u>	<u>4,650,541</u>
Total operating revenues				
OPERATING EXPENSES				
Personnel costs	61,441	80,581	18,728	160,750
Supplies	13,479	23,925	-	37,404
Contracted services:				
Sewage treatment	1,223,198	-	-	1,223,198
Water purchases	-	1,257,581	-	1,257,581
Inspections	-	-	281,167	281,167
Other	149,460	212,995	-	362,455
Utilities	53,538	29,147	-	82,685
Repairs and maintenance	65,254	193,185	-	258,439
Depreciation	184,058	199,383	-	383,441
Miscellaneous	6,452	4,687	-	11,139
	<u>1,756,880</u>	<u>2,001,484</u>	<u>299,895</u>	<u>4,058,259</u>
Total operating expenses				
OPERATING INCOME	<u>404,201</u>	<u>132,240</u>	<u>55,841</u>	<u>592,282</u>
NONOPERATING REVENUES (EXPENSES)				
Connection fee revenue	30,845	60,515	-	91,360
Connection fees remitted to the City of Grand Rapids	(30,845)	(60,515)	-	(91,360)
State grant	77,621	-	-	77,621
Tap and other fees	27,787	48,930	-	76,717
Interest revenue	27,823	20,799	4,903	53,525
Interest expense	(82,733)	(26,170)	-	(108,903)
	<u>50,498</u>	<u>43,559</u>	<u>4,903</u>	<u>98,960</u>
Net nonoperating revenues (expenses)				
CHANGES IN NET POSITION	454,699	175,799	60,744	691,242
NET POSITION - BEGINNING	<u>7,627,955</u>	<u>8,571,749</u>	<u>394,948</u>	<u>16,594,652</u>
NET POSITION - ENDING	<u>\$ 8,082,654</u>	<u>\$ 8,747,548</u>	<u>\$ 455,692</u>	<u>\$ 17,285,894</u>

See notes to financial statements

Township of Ada

STATEMENT OF CASH FLOWS - proprietary funds

Year ended March 31, 2019

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,133,311	\$ 2,153,060	\$ 362,533	\$ 4,648,904
Payments to vendors and suppliers	(1,528,738)	(1,837,741)	(291,301)	(3,657,780)
Payments to employees	(40,715)	(55,775)	(14,021)	(110,511)
Net cash provided by operating activities	<u>563,858</u>	<u>259,544</u>	<u>57,211</u>	<u>880,613</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State grant	<u>77,621</u>	-	-	<u>77,621</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	30,845	60,515	-	91,360
Connection fees paid to City of Grand Rapids	(30,845)	(60,515)	-	(91,360)
Tap and other fees	27,787	48,930	-	76,717
Acquisition of capital assets	(53,517)	(39,036)	-	(92,553)
Principal payments on capital debt	(112,336)	(45,814)	-	(158,150)
Interest payments on capital debt	(84,049)	(26,761)	-	(110,810)
Net cash used in capital and related financing activities	<u>(222,115)</u>	<u>(62,681)</u>	<u>-</u>	<u>(284,796)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in investment	-	(1,581)	-	(1,581)
Interest received	<u>27,823</u>	<u>20,799</u>	<u>4,903</u>	<u>53,525</u>
Net cash provided by investing activities	<u>27,823</u>	<u>19,218</u>	<u>4,903</u>	<u>51,944</u>
NET CHANGE IN CASH	447,187	216,081	62,114	725,382
CASH - BEGINNING	<u>2,075,753</u>	<u>1,758,309</u>	<u>391,212</u>	<u>4,225,274</u>
CASH - ENDING	<u>\$ 2,522,940</u>	<u>\$ 1,974,390</u>	<u>\$ 453,326</u>	<u>\$ 4,950,656</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended March 31, 2019

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 404,201	\$ 132,240	\$ 55,841	\$ 592,282
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	184,058	199,383	-	383,441
(Increase) decrease in receivables	(27,770)	19,336	6,797	(1,637)
Increase (decrease) in payables	<u>3,369</u>	<u>(91,415)</u>	<u>(5,427)</u>	<u>(93,473)</u>
Net cash provided by operating activities	<u>\$ 563,858</u>	<u>\$ 259,544</u>	<u>\$ 57,211</u>	<u>\$ 880,613</u>

See notes to financial statements

Township of Ada

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - *agency fund*

March 31, 2019

ASSETS

Cash \$ 3,352

LIABILITIES

Escrow deposits \$ 3,352

See notes to 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 fiduciary funds, even though the latter are 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 property taxes and state shared revenue.

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 Land Preservation Fund, a special revenue fund, accounts for financial resources used by the Township to maintain and improve recreational facilities and preserve land. 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, Recreation, and Land Preservation 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports one fiduciary fund (the Agency Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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, including special assessments. 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 net position or 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 interest 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 fiscal years and are recorded as prepaid items in 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and net position or 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 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. Pledges receivable are included in this category. The pledges, which are recognized as they become available (collected within 60 days after the end of the Township's fiscal year), are deferred and recognized as an inflow of resources in the period that the revenues become available.

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 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. 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 function 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 variances:

<u>Entity</u>	<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government	Public Safety	Capital outlay	\$ 158,200	\$ 314,160	\$ 155,960
	Trails	Recreation and culture	229,395	308,811	79,416
Component unit - Downtown Development Authority	Operating	Community and economic development	99,620	108,859	9,239

NOTE 3 - CASH AND INVESTMENTS

The components of cash and investments of the Township's funds and component units consist of the following:

	<u>Governmental funds</u>	<u>Proprietary funds</u>	<u>Agency fund</u>	<u>Component units</u>	<u>Totals</u>
Per financial statements:					
Cash	\$ 10,101,775	\$ 4,950,656	\$ 3,352	\$ 521,027	\$15,576,810
Investments	<u>1,017,102</u>	<u>88,518</u>	<u>-</u>	<u>-</u>	<u>1,105,620</u>
Totals	<u>\$ 11,118,877</u>	<u>\$ 5,039,174</u>	<u>\$ 3,352</u>	<u>\$ 521,027</u>	<u>\$16,682,430</u>
Composition:					
Cash on hand	\$ 200	\$ -	\$ -	\$ -	\$ 200
Deposits	10,101,575	4,950,656	3,352	521,027	15,576,610
Investments	<u>1,017,102</u>	<u>88,518</u>	<u>-</u>	<u>-</u>	<u>1,105,620</u>
Totals	<u>\$ 11,118,877</u>	<u>\$ 5,039,174</u>	<u>\$ 3,352</u>	<u>\$ 521,027</u>	<u>\$16,682,430</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.

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, 2019, \$15,316,007 of the Township's bank balances of \$15,816,007 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, in the amount of \$1,105,620, consist solely of holdings in the Kent County Investment Pool, 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 fund 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.

Fair value measurement - The Township categorizes its fair value measurements 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 asset. 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 Kent County Investment Pool is measured at net asset value (or its equivalent) as a practical expedient, and, accordingly, has not been classified in the fair value hierarchy.

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2019, for the Township's funds, and its component units, 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	\$ 12,773	\$ 67,356	\$ 184,589	\$ -	\$ 264,718
Public Safety	13,155	-	-	-	13,155
Trails	6,805	-	41,111	-	47,916
Parks, Recreation, and Land Preservation	9,000	-	2,383	-	11,383
Envision Ada	-	-	-	5,065,782	5,065,782
Total governmental	<u>\$ 41,733</u>	<u>\$ 67,356</u>	<u>\$ 228,083</u>	<u>\$ 5,065,782</u>	<u>\$ 5,402,954</u>
Noncurrent	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,340,466</u>	<u>\$ 2,340,466</u>
Proprietary:					
Sewer	\$ -	\$ 447,138	\$ 20,132	\$ -	\$ 467,270
Water	-	245,945	-	-	245,945
Nonmajor	-	-	14,583	-	14,583
Total proprietary	<u>\$ -</u>	<u>\$ 693,083</u>	<u>\$ 34,715</u>	<u>\$ -</u>	<u>\$ 727,798</u>
Component unit:					
Ada Downtown Development Authority	<u>\$ 1,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,661</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, 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	\$ 2,936,749	\$ -	\$ -	\$ 2,936,749
Construction in progress	<u>442,753</u>	<u>1,375,151</u>	<u>(46,450)</u>	<u>1,771,454</u>
Total capital assets not being depreciated	<u>3,379,502</u>	<u>1,375,151</u>	<u>(46,450)</u>	<u>4,708,203</u>
Capital assets being depreciated:				
Buildings and improvements	11,398,278	1,473,169	-	12,871,447
Furniture, fixtures, and equipment	1,706,062	-	(122,768)	1,583,294
Vehicles	<u>1,289,627</u>	<u>31,841</u>	<u>-</u>	<u>1,321,468</u>
Subtotal	<u>14,393,967</u>	<u>1,505,010</u>	<u>(122,768)</u>	<u>15,776,209</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,470,818)	(542,712)	-	(5,013,530)
Furniture, fixtures, and equipment	(1,253,883)	(65,124)	122,468	(1,196,539)
Vehicles	<u>(948,805)</u>	<u>(56,471)</u>	<u>-</u>	<u>(1,005,276)</u>
Subtotal	<u>(6,673,506)</u>	<u>(664,307)</u>	<u>122,468</u>	<u>(7,215,345)</u>
Total capital assets being depreciated	<u>7,720,461</u>	<u>840,703</u>	<u>(300)</u>	<u>8,560,864</u>
Governmental activities capital assets, net	<u>\$ 11,099,963</u>	<u>\$ 2,215,854</u>	<u>\$ (46,750)</u>	<u>\$ 13,269,067</u>
Business-type activities:				
Capital assets not being depreciated - construction in progress	<u>\$ 424,131</u>	<u>\$ -</u>	<u>\$ (424,131)</u>	<u>\$ -</u>
Capital assets being depreciated:				
Facilities	22,185,144	508,666	-	22,693,810
Buildings	41,090	-	-	41,090
Equipment	<u>97,323</u>	<u>8,018</u>	<u>-</u>	<u>105,341</u>
Subtotal	<u>22,323,557</u>	<u>516,684</u>	<u>-</u>	<u>22,840,241</u>
Less accumulated depreciation for:				
Facilities	(7,496,849)	(369,771)	-	(7,866,620)
Buildings	(36,939)	(1,368)	-	(38,307)
Equipment	<u>(88,495)</u>	<u>(12,302)</u>	<u>-</u>	<u>(100,797)</u>
Subtotal	<u>(7,622,283)</u>	<u>(383,441)</u>	<u>-</u>	<u>(8,005,724)</u>
Total capital assets being depreciated	<u>14,701,274</u>	<u>133,243</u>	<u>-</u>	<u>14,834,517</u>
Business-type activities capital assets, net	<u>\$ 15,125,405</u>	<u>\$ 133,243</u>	<u>\$ (424,131)</u>	<u>\$ 14,834,517</u>

NOTE 5 - 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>-</u>	<u>(10,786)</u>	<u>-</u>	<u>(10,786)</u>
Component unit capital assets, net	<u>\$ 161,794</u>	<u>\$ (10,786)</u>	<u>\$ -</u>	<u>\$ 151,008</u>

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

Governmental activities:	
General government	\$ 42,904
Public safety	118,690
Public works	1,025
Recreation and culture	<u>501,688</u>
Total governmental activities	<u>\$ 664,307</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2019, for the Township's funds, and its component unit, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Primary government:				
Governmental funds:				
General	\$ 109,660	\$ 27,490	\$ -	\$ 137,150
Public Safety	61,824	14,980	-	76,804
Trails	24,572	700	-	25,272
Parks and Land Preservation	2,478	-	-	2,478
Parks and Recreation	3,850	-	-	3,850
Parks, Recreation, and Land Preservation	16,677	9,300	-	25,977
Envision Ada	<u>325,712</u>	<u>390</u>	<u>-</u>	<u>326,102</u>
Total governmental	<u>\$ 544,773</u>	<u>\$ 52,860</u>	<u>\$ -</u>	<u>\$ 597,633</u>
Proprietary funds:				
Sewer	\$ 125,427	\$ 1,570	\$ 30,800	\$ 157,797
Water	104,108	2,760	4,900	111,768
Nonmajor	<u>11,667</u>	<u>550</u>	<u>-</u>	<u>12,217</u>
Total proprietary	<u>\$ 241,202</u>	<u>\$ 4,880</u>	<u>\$ 35,700</u>	<u>\$ 281,782</u>
Component unit:				
Downtown Development Authority	<u>\$ 3,358</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 5,338</u>

NOTE 7 - LONG-TERM DEBT

At March 31, 2019, long-term debt consists of the following individual items:

Governmental activities:

Bonds: \$314,600 2011 Capital improvement bonds - payable in annual installments of \$13,000 to \$26,000, plus interest at 1.5% to 4.5%; final payment due May 2028	\$ 215,800
\$1,902,460 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	925,833
\$1,830,000 2017 General obligation refunding bonds - payable in annual installments ranging from \$440,000 to \$470,000, plus interest at 1.1% to 2.1%; final payment due May 2021	1,390,000
\$4,720,000 2017 Capital improvement bonds - payable in an annual installment ranging from \$220,000 to \$255,000, plus interest at 2.0% to 3.0%; final payment due March 2032	4,280,000
Premium - 2016 Capital improvement bonds	8,315
Premium - 2017 Capital improvement bonds	<u>120,555</u>
Total bonds	6,940,503
Accrued compensated absences	<u>120,530</u>
Total governmental activities noncurrent liabilities	<u>\$ 7,061,033</u>

Business-type activities:

Bonds: \$290,400 2011 Capital improvement bonds - payable in annual installments ranging from \$12,000 to \$24,000, plus interest at 1.5% to 4.5%; final payment due May 2028	\$ 199,200
\$2,325,000 2011 Capital improvement bonds - payable in annual installments ranging from \$75,000 to \$170,000, plus interest at 1.70% to 4.65%; final payment due May 2031	1,735,000
\$377,540 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	1,094,167
Premium - 2016 Capital improvement bonds	<u>10,737</u>
Total business-type activities noncurrent liabilities	<u>\$ 3,039,104</u>

Component unit - Downtown Development Authority:

Accrued compensated absences	<u>\$ 1,110</u>
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NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debt activity for the year ended March 31, 2019, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Bonds:					
2011 CIP Bonds Series A (52%)	\$ 231,400	\$ -	\$ (15,600)	\$ 215,800	\$ 18,200
2016 Capital improvement bonds	967,083	-	(41,250)	925,833	41,250
Premium - 2016 bonds	8,829	-	(514)	8,315	-
2017 Refunding bonds	1,830,000	-	(440,000)	1,390,000	455,000
2017 CIP Bonds, Series 2	4,500,000	-	(220,000)	4,280,000	225,000
Premium - 2017 CIP Bonds	<u>134,394</u>	<u>-</u>	<u>(13,839)</u>	<u>120,555</u>	<u>-</u>
Total bonds	7,671,706	-	(731,203)	6,940,503	739,450
Compensated absences	<u>110,340</u>	<u>74,930</u>	<u>(64,740)</u>	<u>120,530</u>	<u>-</u>
Total governmental activities	<u>\$ 7,782,046</u>	<u>\$ 74,930</u>	<u>\$ (795,943)</u>	<u>\$ 7,061,033</u>	<u>\$ 739,450</u>
Business-type activities:					
Bonds:					
2011 CIP Bonds Series A (48%)	\$ 213,600	\$ -	\$ (14,400)	\$ 199,200	\$ 16,800
2011 CIP Bonds Series B	1,830,000	-	(95,000)	1,735,000	100,000
2016 Capital improvement bonds	1,142,917	-	(48,750)	1,094,167	48,750
Premium - 2016 bonds	<u>11,344</u>	<u>-</u>	<u>(607)</u>	<u>10,737</u>	<u>-</u>
Total business-type activities	<u>\$ 3,197,861</u>	<u>\$ -</u>	<u>\$ (158,757)</u>	<u>\$ 3,039,104</u>	<u>\$ 165,550</u>
Component Unit:					
Compensated absences	<u>\$ 690</u>	<u>\$ 2,391</u>	<u>\$ (1,971)</u>	<u>\$ 1,110</u>	

NOTE 7 - LONG-TERM DEBT (Continued)

At March 31, 2019, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i>	<i>Governmental activities</i>		<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
<i>March 31:</i>				
2020	\$ 739,450	\$ 178,641	\$ 165,550	\$ 105,341
2021	761,742	165,584	173,258	100,590
2022	771,742	148,014	178,258	95,359
2023	316,633	134,256	188,367	89,584
2024	328,925	125,008	196,075	83,265
2025 - 2029	1,590,850	480,163	1,109,150	302,976
2030 - 2034	1,587,083	253,082	857,917	91,730
2035 - 2036	715,208	32,369	159,792	7,231
	<u>\$ 6,811,633</u>	<u>\$ 1,517,117</u>	<u>\$ 3,028,367</u>	<u>\$ 876,076</u>

All debt is secured by the full faith and credit of the Township.

NOTE 8 - PROPERTY TAXES

The 2018 taxable valuation of the Township approximated \$985,665,000, on which ad valorem taxes levied consisted of 0.8371 mills for operating purposes, 0.8787 mills for fire/police protection, 0.6012 mills for parks, recreation, and land preservation, and 0.4546 mills for trails, raising approximately \$825,000 for operating purposes, \$866,000 for fire/police protection, \$593,000 for parks, recreation, and land preservation, and \$448,000 for trails. These amounts are recognized in the fund financial statements as property tax revenue.

The 2018 taxable valuation of the Downtown Development Authority, a component unit, approximated \$145,061,000, on which ad valorem taxes levied consisted of 1.9940 mills for operating purposes raising approximately \$289,000 for operating purposes. This amount is recognized in the component unit financial statements as property tax revenue.

NOTE 9 - 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, 2019, the Township abated property taxes totaling \$32,139 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 10 - 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 (40 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, 2019, the Township and eligible employees made contributions of \$112,156 and \$30,819, respectively. At March 31, 2019, 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 11 - 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 12 - INTERFUND TRANSFERS AND BALANCE

During the year ended March 31, 2019, the General Fund transferred \$100,000 to the the Trails Fund to support debt service costs. The Parks, Recreation, and Land Preservation Fund transferred \$56,894 to the General Fund, which represents that fund's share of debt service costs.

At March 31, 2019, the Public Safety Fund owes the General Fund \$201,767, as the Public Safety Fund used a portion of the General Fund's share of the cash available in the Township's pooled checking account.

NOTE 13 - 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 14 - ECONOMIC DEPENDENCY

For the fiscal year ended March 31, 2019, the Township received approximately 15% of its property tax revenue and 29% percent of its sewer and water utility revenue from one industrial property owner.

NOTE 15 - CONSTRUCTION COMMITMENTS

At March 31, 2019, the Township had the following contractual construction commitment:

	<i>Project authorization</i>	<i>Expended through March 31, 2019</i>	<i>Committed</i>
Ada Township Community Center and Library	\$ 892,550	\$ 357,550	\$ 535,000
Ada Trail Construction and Repairs	353,922	311,779	42,143
Settlers Grove Park	<u>1,407,069</u>	<u>1,161,725</u>	<u>245,344</u>
Total	<u>\$ 2,653,541</u>	<u>\$ 1,831,054</u>	<u>\$ 822,487</u>

These improvements are being funded through the issuance of capital improvement bonds and private contributions.

NOTE 16 - CONTINGENT LIABILITY

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in certain tax appeals, which could have a significant financial impact. Because the outcome of these lawsuits is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The Township intends to vigorously defend its position in these cases.

NOTE 17 - CORRECTION OF AN ERROR

A prior period adjustment has been recorded in fiscal year 2019 to correct the accounting for a prior year capital contribution that resulted in a restatement of opening fund balance and net position. Fund balance and net position, as of March 31, 2018, included in the government-wide financial statements, the governmental fund financial statements, and the proprietary fund financial statements, represents restated balances, as presented below.

	<i>Governmental fund</i>			<i>Proprietary funds</i>	
	<i>Governmental activities</i>	<i>Envision Ada</i>	<i>Business-type activities</i>	<i>Sewer Fund</i>	<i>Water Fund</i>
Net position, beginning of year, as previously reported	\$15,369,241	\$ 5,121,208	\$15,793,823	\$ 7,258,773	\$ 8,140,102
Prior period adjustment - Reclassification of capital contribution	<u>(800,829)</u>	<u>(800,829)</u>	<u>800,829</u>	<u>369,182</u>	<u>431,647</u>
Net position, beginning of year, as restated	<u>\$14,568,412</u>	<u>\$ 4,320,379</u>	<u>\$16,594,652</u>	<u>\$ 7,627,955</u>	<u>\$ 8,571,749</u>

NOTE 18 - PENDING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2019. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ada

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 874,716	\$ 874,716	\$ 873,171	\$ (1,545)
Licenses and permits	275,000	275,000	273,774	(1,226)
State grants	1,241,770	1,258,028	1,211,531	(46,497)
Intergovernmental	259,499	259,499	178,872	(80,627)
Charges for services	80,900	80,900	87,734	6,834
Interest and rentals	62,900	78,671	95,417	16,746
Other:				
Contributions	298,800	298,800	233,272	(65,528)
Special assessments	52,957	52,957	57,479	4,522
Miscellaneous	4,500	4,500	7,761	3,261
Total revenues	<u>3,151,042</u>	<u>3,183,071</u>	<u>3,019,011</u>	<u>(164,060)</u>
EXPENDITURES				
General government:				
Legislative	34,189	34,189	30,083	4,106
Supervisor	87,242	87,242	83,671	3,571
Elections	26,690	33,229	38,577	(5,348)
Assessor	195,510	195,510	148,996	46,514
Clerk	177,021	177,021	177,276	(255)
Board of review	2,065	2,065	1,459	606
Treasurer	177,799	177,799	167,836	9,963
Building and grounds	102,634	102,634	119,693	(17,059)
Cemeteries	45,928	45,928	35,723	10,205
General administration	531,731	531,731	513,607	18,124
Total general government	<u>1,380,809</u>	<u>1,387,348</u>	<u>1,316,921</u>	<u>70,427</u>
Public works:				
Road maintenance and improvements	587,485	938,181	628,261	309,920
Street lighting	50,105	50,105	65,780	(15,675)
Total public works	<u>637,590</u>	<u>988,286</u>	<u>694,041</u>	<u>294,245</u>
Community and economic development	<u>246,408</u>	<u>246,408</u>	<u>166,694</u>	<u>79,714</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Debt service:				
Principal	\$ 276,850	\$ 276,850	\$ 276,850	\$ -
Interest	165,948	165,948	165,198	750
Capital outlay	823,267	823,267	744,621	78,646
Total expenditures	<u>3,530,872</u>	<u>3,888,107</u>	<u>3,364,325</u>	<u>523,782</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(379,830)</u>	<u>(705,036)</u>	<u>(345,314)</u>	<u>359,722</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	157,554	157,554	56,894	(100,660)
Transfers out	<u>(199,874)</u>	<u>(199,874)</u>	<u>(100,000)</u>	<u>99,874</u>
Net other financing uses	<u>(42,320)</u>	<u>(42,320)</u>	<u>(43,106)</u>	<u>(786)</u>
NET CHANGES IN FUND BALANCES	(422,150)	(747,356)	(388,420)	358,936
FUND BALANCES - BEGINNING	<u>3,575,383</u>	<u>3,575,383</u>	<u>3,575,383</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,153,233</u>	<u>\$ 2,828,027</u>	<u>\$ 3,186,963</u>	<u>\$ 358,936</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 892,260	\$ 892,260	\$ 876,294	\$ (15,966)
State grant	10,000	10,000	2,409	(7,591)
Interest	8,425	8,425	14,370	5,945
Other	1,000	1,000	496	(504)
Total revenues	<u>911,685</u>	<u>911,685</u>	<u>893,569</u>	<u>(18,116)</u>
EXPENDITURES				
Public safety:				
Police protection	300,000	300,000	326,365	(26,365)
Fire protection	<u>648,487</u>	<u>648,487</u>	<u>526,117</u>	<u>122,370</u>
Total public safety	948,487	948,487	852,482	96,005
Capital outlay	<u>158,200</u>	<u>158,200</u>	<u>314,160</u>	<u>(155,960)</u>
Total expenditures	<u>1,106,687</u>	<u>1,106,687</u>	<u>1,166,642</u>	<u>(59,955)</u>
NET CHANGES IN FUND BALANCES	(195,002)	(195,002)	(273,073)	(78,071)
FUND BALANCES - BEGINNING	<u>865,473</u>	<u>865,473</u>	<u>865,473</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 670,471</u>	<u>\$ 670,471</u>	<u>\$ 592,400</u>	<u>\$ (78,071)</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Trails Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 467,114	\$ 467,114	\$ 453,355	\$ (13,759)
State grant	25,000	25,000	69,557	44,557
Interest and rentals	1,975	1,975	4,022	2,047
Other	-	-	1,528	1,528
Total revenues	<u>494,089</u>	<u>494,089</u>	<u>528,462</u>	<u>34,373</u>
EXPENDITURES				
Recreation and culture	223,859	229,395	308,811	(79,416)
Debt service:				
Principal	440,000	440,000	440,000	-
Interest and fees	<u>26,570</u>	<u>26,570</u>	<u>27,070</u>	<u>(500)</u>
Total expenditures	<u>690,429</u>	<u>695,965</u>	<u>775,881</u>	<u>(79,916)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(196,340)	(201,876)	(247,419)	(45,543)
OTHER FINANCING SOURCES				
Transfer in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(96,340)	(101,876)	(147,419)	(45,543)
FUND BALANCES - BEGINNING	<u>661,640</u>	<u>661,640</u>	<u>661,640</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 565,300</u>	<u>\$ 559,764</u>	<u>\$ 514,221</u>	<u>\$ (45,543)</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks and Land Preservation Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Interest and rentals	\$ -	\$ -	\$ 9,791	\$ 9,791
EXPENDITURES				
Capital outlay	<u>630,000</u>	<u>630,000</u>	<u>407,921</u>	<u>222,079</u>
NET CHANGES IN FUND BALANCES	(630,000)	(630,000)	(398,130)	231,870
FUND BALANCES - BEGINNING	<u>1,119,469</u>	<u>1,119,469</u>	<u>1,119,469</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 489,469</u>	<u>\$ 489,469</u>	<u>\$ 721,339</u>	<u>\$ 231,870</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks and Recreation Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Interest and rentals	\$ -	\$ -	\$ 1,773	\$ 1,773
EXPENDITURES				
Capital outlay	101,871	101,871	42,199	59,672
NET CHANGES IN FUND BALANCES	(101,871)	(101,871)	(40,426)	61,445
FUND BALANCES - BEGINNING	101,871	101,871	101,871	-
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,445</u>	<u>\$ 61,445</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks, Recreation, and Land Preservation Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 610,540	\$ 610,540	\$ 599,554	\$ (10,986)
State grants	94,000	94,000	4,031	(89,969)
Charges for services	41,900	41,900	42,923	1,023
Interest and rentals	31,050	31,050	29,337	(1,713)
Other:				
Contributions	2,575	52,575	51,664	(911)
Miscellaneous	-	-	2,990	2,990
Total revenues	<u>780,065</u>	<u>830,065</u>	<u>730,499</u>	<u>(99,566)</u>
EXPENDITURES				
Recreation and culture	531,090	531,090	472,476	58,614
Capital outlay	<u>27,628</u>	<u>27,628</u>	<u>26,666</u>	<u>962</u>
Total expenditures	<u>558,718</u>	<u>558,718</u>	<u>499,142</u>	<u>59,576</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	221,347	271,347	231,357	(39,990)
OTHER FINANCING USES				
Transfer out	<u>(57,166)</u>	<u>(57,166)</u>	<u>(56,894)</u>	<u>272</u>
NET CHANGES IN FUND BALANCES	164,181	214,181	174,463	(39,718)
FUND BALANCES - BEGINNING	<u>635,080</u>	<u>635,080</u>	<u>635,080</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 799,261</u>	<u>\$ 849,261</u>	<u>\$ 809,543</u>	<u>\$ (39,718)</u>

SUPPLEMENTARY INFORMATION

BALANCE SHEET - component units

March 31, 2019

	<i>Downtown Development Authority</i>	<i>Brownfield Redevelopment Authority</i>
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 521,027	\$ -
Receivables	<u>1,661</u>	<u>-</u>
Total assets	<u>\$ 522,688</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE		
Liabilities - payables	\$ 5,338	\$ -
Fund balance - unassigned	<u>517,350</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 522,688</u>	<u>\$ -</u>
 Total fund balance	 \$ 517,350	 \$ -
 Amounts reported for the component units in the statement of net position (page 13) are different because:		
Capital assets used by the component units are not financial resources and, therefore, are not reported in the funds.	151,008	-
Expense accrual - compensated absences	<u>(1,110)</u>	<u>-</u>
Net position (unrestricted) of the component units	<u>\$ 667,248</u>	<u>\$ -</u>

Township of Ada

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - component units

Year ended March 31, 2019

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
REVENUES		
Property taxes	\$ 312,373	\$ -
Tax increment financing	-	64,586
State grant	138,642	-
Charges for services	7,970	-
Interest	4,558	-
	<hr/>	<hr/>
Total revenues	463,543	64,586
	<hr/>	<hr/>
EXPENDITURES		
Current:		
Public works	178,872	64,586
Community and economic development	108,859	-
Capital outlay	38,429	-
	<hr/>	<hr/>
Total expenditures	326,160	64,586
	<hr/>	<hr/>
NET CHANGES IN FUND BALANCES	137,383	-
FUND BALANCES - BEGINNING	<hr/> 379,967	<hr/> -
FUND BALANCES - ENDING	<u>\$ 517,350</u>	<u>\$ -</u>
Net change in fund balance	\$ 137,383	\$ -
Amounts reported for the component units in the statement of activities (page 14) are different because:		
Capital assets:		
Deduct - depreciation provision	(10,786)	-
Net increase in compensated absences	<hr/> (420)	<hr/> -
Change in net position of component units	<u>\$ 126,177</u>	<u>\$ -</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority -

Operating Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 339,263	\$ 323,912	\$ 312,373	\$ (11,539)
State grant	121,000	138,642	138,642	-
Charges for services	10,600	10,600	7,970	(2,630)
Interest	1,000	1,000	4,558	3,558
Other	1,000	1,000	-	(1,000)
Total revenues	<u>472,863</u>	<u>475,154</u>	<u>463,543</u>	<u>(11,611)</u>
EXPENDITURES				
Public works	178,621	178,621	178,872	(251)
Community and economic development	99,620	99,620	108,859	(9,239)
Capital outlay	37,000	37,000	38,429	(1,429)
Total expenditures	<u>315,241</u>	<u>315,241</u>	<u>326,160</u>	<u>(10,919)</u>
NET CHANGES IN FUND BALANCES	157,622	159,913	137,383	(22,530)
FUND BALANCES - BEGINNING	<u>379,967</u>	<u>379,967</u>	<u>379,967</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 537,589</u>	<u>\$ 539,880</u>	<u>\$ 517,350</u>	<u>\$ (22,530)</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority -

Operating Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ 25,830	\$ 64,586	\$ 64,586	\$ -
EXPENDITURES				
Public works	<u>25,830</u>	<u>64,586</u>	<u>64,586</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>