

Township of Ada
Kent County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2013

INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	13
Statement of activities	14
Fund financial statements:	
Balance sheet - governmental funds	15
Statement of revenues, expenditures, and changes in fund balances - governmental funds	16
Statement of net position - proprietary funds	17
Statement of revenues, expenses, and changes in net position - proprietary funds	18
Statement of cash flows - proprietary funds	19 - 20
Statement of fiduciary net position - agency funds	21
Notes to financial statements	22 - 33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	34 - 35
Public Safety Fund	36
Trails Fund	37
Parks and Land Preservation Fund	38
Parks and Recreation Fund	39
SUPPLEMENTARY INFORMATION	
Combining statement of fiduciary net position - agency funds	40
Statement of revenues, expenditures, and changes in fund balances - budget and actual - Downtown Development Authority	41

INDEPENDENT AUDITOR'S REPORT

Township Board of Trustees
Township of Ada, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Ada, Michigan, as of and for the year ended March 31, 2013, 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 unit, each major fund, and the aggregate remaining fund information of the Township of Ada, Michigan, as of March 31, 2013, 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.

Other Matters

Accounting changes

As described in Note 14 to the financial statements, the Township adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to these 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 financial statements as a whole. The supplementary information, as listed in the contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Siegfried Crandall P.C.

July 9, 2013

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, 2013. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$630,156 (2 percent) as a result of this year's activities. Net position of the governmental activities increased by \$332,705 and the net position of the business-type activities increased by \$297,451.
- Of the \$26,850,650 total net position reported, \$5,677,932 (21 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,761,568, which represents 97 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements and statements concerning the component unit. 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- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and construction code inspection services.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as a trustee or 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 basic financial statements for 2013 and 2012 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 unit* - The Township includes another entity in its report - the Ada Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for it.

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 by 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- 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 these funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$26,850,650. Of this total, \$18,359,792 is invested in capital assets and \$2,812,926 is restricted for various purposes. Consequently, unrestricted net position was \$5,677,932, or 21 percent of the total.

Condensed financial information

Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,472,153	\$ 6,398,269	\$ 2,855,831	\$ 2,821,908	\$ 9,327,984	\$ 9,220,177
Capital assets	11,285,245	11,436,875	13,399,547	13,189,892	24,684,792	24,626,767
Total assets	17,757,398	17,835,144	16,255,378	16,011,800	34,012,776	33,846,944
Current and other liabilities	283,307	415,758	553,819	520,692	837,126	936,450
Long-term debt outstanding	3,796,600	4,074,600	2,528,400	2,615,400	6,325,000	6,690,000
Total liabilities	4,079,907	4,490,358	3,082,219	3,136,092	7,162,126	7,626,450
Net position:						
Net investment in capital assets	7,488,645	7,362,275	10,871,147	10,574,492	18,359,792	17,936,767
Restricted	2,812,926	3,273,887	-	331,128	2,812,926	3,605,015
Unrestricted	3,375,920	2,708,624	2,302,012	1,970,088	5,677,932	4,678,712
Total net position	\$ 13,677,491	\$ 13,344,786	\$ 13,173,159	\$ 12,875,708	\$ 26,850,650	\$ 26,220,494

Changes in net position

The Township's total revenues for 2013 were \$8,137,590. Charges for services account for more than 55 percent of the Township's revenues, while property taxes account for nearly 30 percent of the revenues. State shared revenue accounts for about 12 percent of the Township's revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of the Township's programs for fiscal year 2013, covering a wide range of services, totaled \$7,507,434. Nearly 49 percent of the Township's costs relates to the provision of utility services. Public safety (police and fire protection and inspections) and general government services represent 15 and 17 percent of total expenses, respectively.

*Condensed financial information**Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 266,867	\$ 248,470	\$ 4,229,041	\$ 3,545,778	\$ 4,495,908	\$ 3,794,248
Operating grants and contributions	15,135	13,834	-	-	15,135	13,834
Capital grants and contributions	32,013	8,761	-	-	32,013	8,761
General revenues:						
Property taxes	2,423,313	2,698,646	-	-	2,423,313	2,698,646
State shared revenue	954,539	1,086,678	-	-	954,539	1,086,678
Franchise fees	181,808	166,697	-	-	181,808	166,697
Interest on investments	26,012	52,092	8,862	14,409	34,874	66,501
Total revenues	3,899,687	4,275,178	4,237,903	3,560,187	8,137,590	7,835,365
Expenses:						
Legislative	31,555	30,753	-	-	31,555	30,753
General government	1,244,433	1,224,581	-	-	1,244,433	1,224,581
Public safety	916,955	950,948	233,938	188,025	1,150,893	1,138,973
Public works	137,772	156,327	-	-	137,772	156,327
Recreation and culture	829,012	739,337	-	-	829,012	739,337
Community and economic development	246,997	161,507	-	-	246,997	161,507
Interest on long-term debt	160,258	168,517	-	-	160,258	168,517
Sewer	-	-	1,725,762	1,728,176	1,725,762	1,728,176
Water	-	-	1,980,752	1,872,664	1,980,752	1,872,664
Total expenses	3,566,982	3,431,970	3,940,452	3,788,865	7,507,434	7,220,835
Changes in net position	\$ 332,705	\$ 843,208	\$ 297,451	\$ (228,678)	\$ 630,156	\$ 614,530
Net position, end of year	\$ 13,677,491	\$ 13,344,786	\$ 13,173,159	\$ 12,875,708	\$ 26,850,650	\$ 26,220,494

Governmental activities

Governmental activities increased the Township's net position by \$332,705 in 2013 compared to an \$843,208 increase in 2012. Total revenues decreased by \$375,491 and expenses increased by \$135,012, which generated a smaller increase in net position than the prior year.

Total revenues decreased by \$375,491 for two main reasons. Tax revenues declined by \$275,333 because of a reduction in the public safety millage rate, and state shared revenue decreased by \$132,139 as state distributions in the prior year included a substantial amount related to a census adjustment.

Total expenses increased by \$135,012 (4 percent). The most significant increases were experienced in the community and economic development and recreation and culture functions. Community and economic development costs were higher by \$85,490 as \$105,000 was contributed to the DDA for future projects to improve the Ada Village area. Recreation and culture expenses were \$89,675 higher due to increased costs associated with operating the parks and an increase in the depreciation provision related to trail infrastructure put in place in recent years.

The following table 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.

	<i><u>Total cost of services</u></i>	<i><u>Net cost of services</u></i>
General government	\$ 1,244,433	\$ 1,113,515
Public safety	916,955	912,431
Recreation and culture	829,012	727,436
Other	<u>576,582</u>	<u>499,585</u>
Totals	<u>\$ 3,566,982</u>	<u>\$ 3,252,967</u>

The total cost of governmental activities this year was \$3,566,982 compared to \$3,431,970 in the prior year. However, the amount that our taxpayers paid for these activities through general revenues was \$3,252,967. Some of the cost was paid by:

- Those who directly benefited from the programs (\$266,867), or
- Other governments and individuals that subsidized certain programs with grants and contributions (\$47,148)

The Township paid for the \$3,252,967 "public benefit" portion with \$3,585,672 in general revenues, such as property taxes, state shared revenue, and interest income.

Business-type activities

Business-type activities increased the Township's net position by \$297,451 in 2013 compared to a decrease of \$228,678 in the prior year. Net position has increased because customer charges were sufficient to cover all operating costs of the utility systems, including depreciation.

Net position increased in the current year because revenues increased by \$677,716 and expenses increased by only \$151,587. Revenues increased due to a substantial increase in utility billing rates. Expenses increased slightly due to higher costs associated with water purchases and inspections services.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of March 31, 2013, the Township's governmental funds reported combined ending fund balances of \$6,270,733, which represents an increase of \$240,144 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 \$1,913,511, though the unassigned fund balance amounted to \$1,761,568. Revenues exceeded expenditures by \$312,772, but the fund also transferred \$429,362 to other funds, which caused the fund balance to decrease by \$116,590.

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

- The fund balance of the Public Safety Fund at the end of the fiscal year was \$1,793,160, a decrease of \$130,822, as expenditures exceeded revenues in the current year. The decrease in fund balance is the result of a decrease in the property tax millage rate in the current year. The fund accounts for policing services, equipment, and staffing as may be justified.
- The fund balance of the Trails Fund at the end of the fiscal year was \$552,243, an increase of \$199,242. Fund balance increased due to a \$270,000 transfer from the General Fund. The fund's expenditures include debt service and trail improvement costs.
- The fund balance of the Parks and Land Preservation Fund at the end of the fiscal year was \$1,396,749, an increase of \$150,183. Capital outlay and other recreation expenditures were lower than current revenues, primarily property taxes.
- The fund balance of the Parks and Recreation Fund at the end of the fiscal year was \$615,070, an increase of \$138,131. Current year revenues were sufficient to cover current year expenditures.

Proprietary funds

The Sewer Fund generated operating income of \$210,112 and net position increased by \$124,989. The increase in net position is due to the fact that user charges were set to cover the full cost of providing services, including depreciation of the wastewater infrastructure. Total net position is \$5,626,058 at year end, of which \$661,692 is unrestricted.

The Water Fund generated operating income of \$138,356 and net position increased by \$139,144. Net position increased due to a significant increase in utility billing rates. Total net position is \$7,303,817 at year end, of which \$1,397,036 is unrestricted.

General Fund budgetary highlights

The Township amended both the revenue and expenditure portions of the General Fund budget to reflect anticipated changes in the nature and extent of revenues and expenditures. Revenues were increased by \$15,300 to reflect a slight increase in several revenue categories. Expenditures were increased by \$122,818, primarily due to a \$97,682 increase in general government costs that were higher than originally anticipated.

Total revenues of the General Fund were \$12,373 more than budgeted as state grant revenues were \$59,539 more than budgeted, while property taxes were \$35,110 less than expected. Total expenditures were \$307,804 less than the amounts appropriated. General government costs were \$121,847 less than anticipated, as all activities came in lower than expected, and public works costs were \$111,659 lower than appropriated, as road improvement projects came in under budget.

These conditions, along with other financing uses being \$35,088 less than anticipated, resulted in a \$355,265 positive budget variance, with a \$116,590 decrease in fund balance compared to a budgeted decrease of \$471,855.

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, 2013, amounts to \$24,684,792, 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	\$ 2,824,106	\$ -	\$ 2,824,106
Facilities	-	13,389,925	13,389,925
Buildings and improvements	7,539,463	9,622	7,549,085
Equipment	523,346	-	523,346
Vehicles	398,330	-	398,330
Totals	\$ 11,285,245	\$ 13,399,547	\$ 24,684,792

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

- Sewer improvement project with costs of \$513,765
- Street improvement projects with costs of \$105,051
- Parking lot improvements at Ada Park at a cost of \$124,570
- Property was purchased for \$34,716
- Improvements to boardwalks, sidewalks, and embankments at a cost of \$137,401
- New equipment and vehicle purchases of \$28,550

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 bonds outstanding in the amount of \$6,325,000, which represents a net decrease of \$365,000. Debt was reduced by principal payments of \$365,000 on bonds issued in previous years. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities, totaling \$67,350, 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 2014 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, while maintaining the current levels of its resources.

A segment of non-motorized trails over the recently completed M-21 bridge will be completed in fiscal year 2014. This segment represents the final segment related to a millage approval in 2006 and a capital Improvement bond in the amount of \$4,575,000 in 2007. Upon completion of this segment of non-motorized trails, the Township will have completed approximately 15 miles of non-motorized trails.

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

Susan Burton
Township Clerk
sburton@adatownshipmi.com

Norm Rhoades
Township Treasurer
nrhoades@adatownshipmi.com

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

March 31, 2013

	<i>Primary government</i>			<i>Component unit</i>
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
ASSETS				
Current assets:				
Cash	\$ 5,314,613	\$ 2,114,311	\$ 7,428,924	\$ 226,143
Investments	863,322	84,248	947,570	-
Receivables	244,155	615,220	859,375	-
Prepaid expenses	14,900	-	14,900	-
Inventory	-	5,291	5,291	-
Total current assets	<u>6,436,990</u>	<u>2,819,070</u>	<u>9,256,060</u>	<u>226,143</u>
Noncurrent assets:				
Bond issuance costs, net of amortization	35,163	36,761	71,924	-
Capital assets not being depreciated - land	2,824,106	-	2,824,106	-
Capital assets, net of depreciation	<u>8,461,139</u>	<u>13,399,547</u>	<u>21,860,686</u>	<u>-</u>
Total noncurrent assets	<u>11,320,408</u>	<u>13,436,308</u>	<u>24,756,716</u>	<u>-</u>
Total assets	<u>17,757,398</u>	<u>16,255,378</u>	<u>34,012,776</u>	<u>226,143</u>
LIABILITIES				
Current liabilities:				
Payables	215,957	553,819	769,776	450
Bonds payable	<u>303,000</u>	<u>87,000</u>	<u>390,000</u>	<u>-</u>
Total current liabilities	<u>518,957</u>	<u>640,819</u>	<u>1,159,776</u>	<u>450</u>
Noncurrent liabilities:				
Compensated absences	67,350	-	67,350	-
Bonds payable	<u>3,493,600</u>	<u>2,441,400</u>	<u>5,935,000</u>	<u>-</u>
Total noncurrent liabilities	<u>3,560,950</u>	<u>2,441,400</u>	<u>6,002,350</u>	<u>-</u>
Total liabilities	<u>4,079,907</u>	<u>3,082,219</u>	<u>7,162,126</u>	<u>450</u>
NET POSITION				
Net investment in capital assets	7,488,645	10,871,147	18,359,792	-
Restricted for:				
Public safety	1,081,439	-	1,081,439	-
Public works	31,031	-	31,031	-
Recreation and culture	1,700,456	-	1,700,456	-
Unrestricted	<u>3,375,920</u>	<u>2,302,012</u>	<u>5,677,932</u>	<u>225,693</u>
Total net position	<u>\$ 13,677,491</u>	<u>\$ 13,173,159</u>	<u>\$ 26,850,650</u>	<u>\$ 225,693</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended March 31, 2013

Functions/Programs	Net (expenses) revenues and changes in net position						
	Program revenues				Primary government		Component unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
Governmental activities:							
Legislative	\$ 31,555	\$ -	\$ -	\$ -	\$ (31,555)		\$ (31,555)
General government	1,244,433	130,918	-	-	(1,113,515)		(1,113,515)
Public safety	916,955	-	4,524	-	(912,431)		(912,431)
Public works	137,772	58,903	10,611	-	(68,258)		(68,258)
Recreation and culture	829,012	69,563	-	32,013	(727,436)		(727,436)
Community and economic development	246,997	7,483	-	-	(239,514)		(239,514)
Interest on long-term debt	160,258	-	-	-	(160,258)		(160,258)
Total governmental activities	3,566,982	266,867	15,135	32,013	(3,252,967)		(3,252,967)
Business-type activities:							
Sewer	1,725,762	1,850,218	-	-		\$ 124,456	124,456
Water	1,980,752	2,112,832	-	-		132,080	132,080
Inspections	233,938	265,991	-	-		32,053	32,053
Total business-type activities	3,940,452	4,229,041	-	-		288,589	288,589
Total primary government	\$ 7,507,434	\$ 4,495,908	\$ 15,135	\$ 32,013	(3,252,967)	288,589	(2,964,378)
Component unit:							
Downtown Development Authority	\$ 19,736	\$ 17,331	\$ 105,000	\$ -			\$ 102,595
General revenues:							
Property taxes					2,423,313	-	2,423,313
State shared revenue					954,539	-	954,539
Franchise fees					181,808	-	181,808
Interest income					26,012	8,862	34,874
Total general revenues					3,585,672	8,862	3,594,534
Changes in net position					332,705	297,451	630,156
Net position - beginning					13,344,786	12,875,708	26,220,494
Net position - ending					\$ 13,677,491	\$ 13,173,159	\$ 26,850,650
							\$ 225,693

See notes to financial statements

BALANCE SHEET - governmental funds

March 31, 2013

	<i>General</i>	<i>Public Safety</i>	<i>Trails</i>	<i>Parks and Land Preservation</i>	<i>Parks and Recreation</i>	<i>Total governmental funds</i>
ASSETS						
Cash	\$ 1,617,872	\$ 1,118,018	\$ 591,432	\$ 1,393,997	\$ 593,294	\$ 5,314,613
Investments	122,985	711,721	-	-	28,616	863,322
Receivables	220,594	9,696	6,032	2,786	5,047	244,155
Total assets	<u>\$ 1,961,451</u>	<u>\$ 1,839,435</u>	<u>\$ 597,464</u>	<u>\$ 1,396,783</u>	<u>\$ 626,957</u>	<u>\$ 6,422,090</u>
LIABILITIES AND FUND BALANCES						
Liabilities - payables	<u>\$ 47,940</u>	<u>\$ 46,275</u>	<u>\$ 45,221</u>	<u>\$ 34</u>	<u>\$ 11,887</u>	<u>\$ 151,357</u>
Fund balances:						
Restricted for:						
Public safety	-	1,081,439	-	-	-	1,081,439
Recreation and culture	-	-	-	1,396,749	273,927	1,670,676
Arboretum	-	-	-	-	29,780	29,780
Public works	31,031	-	-	-	-	31,031
Assigned for:						
Cemetery	120,912	-	-	-	-	120,912
Recreation and culture	-	-	-	-	311,363	311,363
Debt service	-	-	552,243	-	-	552,243
Capital purchases	-	711,721	-	-	-	711,721
Unassigned	<u>1,761,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,761,568</u>
Total fund balances	<u>1,913,511</u>	<u>1,793,160</u>	<u>552,243</u>	<u>1,396,749</u>	<u>615,070</u>	<u>6,270,733</u>
Total liabilities and fund balances	<u>\$ 1,961,451</u>	<u>\$ 1,839,435</u>	<u>\$ 597,464</u>	<u>\$ 1,396,783</u>	<u>\$ 626,957</u>	<u>\$ 6,422,090</u>

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

Total fund balance - total governmental funds \$ 6,270,733

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. 11,285,245

Expense deferrals/accruals:

Prepaid expenses	14,900
Bond issuance costs	35,163
Compensated absences	(67,350)
Interest payable	(64,600)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (3,796,600)

Net position of *governmental activities* \$ 13,677,491

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

Year ended March 31, 2013

	<i>General</i>	<i>Public Safety</i>	<i>Trails</i>	<i>Parks and Land Preservation</i>	<i>Parks and Recreation</i>	<i>Total governmental funds</i>
REVENUES						
Property taxes	\$ 799,193	\$ 667,535	\$ 437,676	\$ 185,235	\$ 355,195	\$ 2,444,834
Licenses and permits	200,755	-	-	-	-	200,755
State grants	954,539	-	-	-	685	955,224
Charges for services	19,568	-	-	-	48,618	68,186
Interest and rentals	95,062	8,831	156	4,671	23,007	131,727
Other	65,478	-	-	-	33,483	98,961
Total revenues	<u>2,134,595</u>	<u>676,366</u>	<u>437,832</u>	<u>189,906</u>	<u>460,988</u>	<u>3,899,687</u>
EXPENDITURES						
Legislative	31,555	-	-	-	-	31,555
General government	1,225,233	-	-	-	-	1,225,233
Public safety	-	776,136	-	-	-	776,136
Public works	278,998	-	-	-	-	278,998
Recreation and culture	-	-	12,316	19,007	318,250	349,573
Community and economic development	243,992	-	-	-	-	243,992
Debt service:						
Principal	13,000	-	265,000	-	-	278,000
Interest and fees	10,936	-	149,983	-	-	160,919
Capital outlay	18,109	31,052	81,291	20,716	163,969	315,137
Total expenditures	<u>1,821,823</u>	<u>807,188</u>	<u>508,590</u>	<u>39,723</u>	<u>482,219</u>	<u>3,659,543</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>312,772</u>	<u>(130,822)</u>	<u>(70,758)</u>	<u>150,183</u>	<u>(21,231)</u>	<u>240,144</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	270,000	-	159,362	429,362
Transfers out	(429,362)	-	-	-	-	(429,362)
Net other financing sources (uses)	<u>(429,362)</u>	<u>-</u>	<u>270,000</u>	<u>-</u>	<u>159,362</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(116,590)</u>	<u>(130,822)</u>	<u>199,242</u>	<u>150,183</u>	<u>138,131</u>	<u>240,144</u>
FUND BALANCES - BEGINNING	<u>2,030,101</u>	<u>1,923,982</u>	<u>353,001</u>	<u>1,246,566</u>	<u>476,939</u>	<u>6,030,589</u>
FUND BALANCES - ENDING	<u>\$ 1,913,511</u>	<u>\$ 1,793,160</u>	<u>\$ 552,243</u>	<u>\$ 1,396,749</u>	<u>\$ 615,070</u>	<u>\$ 6,270,733</u>
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						\$ 240,144
Amounts reported for <i>governmental activities</i> in the statement of activities (page 14) are different because:						
Capital assets:						
Assets acquired						447,552
Provision for depreciation						(599,182)
Long-term debt:						
Principal payment on long-term debt						278,000
Changes in other assets/liabilities:						
Net decrease in deferred charges						(3,939)
Net decrease in prepaid expenses						(23,300)
Net increase in compensated absences						(11,170)
Net decrease in interest payable						4,600
Change in net position of <i>governmental activities</i>						<u>\$ 332,705</u>

See notes to financial statements

Township of Ada

STATEMENT OF NET POSITION - *proprietary funds*

March 31, 2013

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 628,432	\$ 1,256,030	\$ 229,849	\$ 2,114,311
Investments	-	84,248	-	84,248
Receivables	314,091	233,303	67,826	615,220
Inventory	-	5,291	-	5,291
Total current assets	<u>942,523</u>	<u>1,578,872</u>	<u>297,675</u>	<u>2,819,070</u>
Noncurrent assets:				
Unamortized debt issuance costs	28,256	8,505	-	36,761
Capital assets, net of accumulated depreciation	<u>7,214,366</u>	<u>6,185,181</u>	<u>-</u>	<u>13,399,547</u>
Total noncurrent assets	<u>7,242,622</u>	<u>6,193,686</u>	<u>-</u>	<u>13,436,308</u>
Total assets	<u>8,185,145</u>	<u>7,772,558</u>	<u>297,675</u>	<u>16,255,378</u>
LIABILITIES				
Current liabilities:				
Payables	309,087	190,341	54,391	553,819
Bond payable	<u>75,000</u>	<u>12,000</u>	<u>-</u>	<u>87,000</u>
Total current liabilities	<u>384,087</u>	<u>202,341</u>	<u>54,391</u>	<u>640,819</u>
Noncurrent liabilities - bonds payable	<u>2,175,000</u>	<u>266,400</u>	<u>-</u>	<u>2,441,400</u>
Total liabilities	<u>2,559,087</u>	<u>468,741</u>	<u>54,391</u>	<u>3,082,219</u>
NET POSITION				
Net investment in capital assets	4,964,366	5,906,781	-	10,871,147
Unrestricted	<u>661,692</u>	<u>1,397,036</u>	<u>243,284</u>	<u>2,302,012</u>
Total net position	<u>\$ 5,626,058</u>	<u>\$ 7,303,817</u>	<u>\$ 243,284</u>	<u>\$ 13,173,159</u>

See notes to financial statements

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

Year ended March 31, 2013

	<i>Sewer</i>	<i>Water</i>	<i>Nonmajor fund</i>	<i>Totals</i>
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 1,791,458	\$ 1,961,117	\$ -	\$ 3,752,575
Inspection fees	-	-	265,991	265,991
Other	-	78,495	-	78,495
Total operating revenues	<u>1,791,458</u>	<u>2,039,612</u>	<u>265,991</u>	<u>4,097,061</u>
OPERATING EXPENSES				
Personnel costs	60,484	78,310	17,445	156,239
Supplies	8,409	18,354	3,700	30,463
Contracted services:				
Sewage treatment	1,231,475	-	-	1,231,475
Water purchases	-	1,460,356	-	1,460,356
Inspections	-	-	212,793	212,793
Other	21,700	33,753	-	55,453
Utilities	44,900	31,464	-	76,364
Repairs and maintenance	53,298	54,039	-	107,337
Depreciation	151,307	152,803	-	304,110
Miscellaneous	9,773	72,177	-	81,950
Total operating expenses	<u>1,581,346</u>	<u>1,901,256</u>	<u>233,938</u>	<u>3,716,540</u>
OPERATING INCOME	<u>210,112</u>	<u>138,356</u>	<u>32,053</u>	<u>380,521</u>
NONOPERATING REVENUES (EXPENSES)				
Connection fee revenue	58,760	68,870	-	127,630
Connection fees remitted to City of Grand Rapids	(58,760)	(68,870)	-	(127,630)
Tap and other fees	-	4,350	-	4,350
Interest revenue	533	7,064	1,265	8,862
Interest expense	(85,656)	(10,626)	-	(96,282)
Net nonoperating revenues (expenses)	<u>(85,123)</u>	<u>788</u>	<u>1,265</u>	<u>(83,070)</u>
CHANGES IN NET POSITION	124,989	139,144	33,318	297,451
NET POSITION - BEGINNING	<u>5,501,069</u>	<u>7,164,673</u>	<u>209,966</u>	<u>12,875,708</u>
NET POSITION - ENDING	<u>\$ 5,626,058</u>	<u>\$ 7,303,817</u>	<u>\$ 243,284</u>	<u>\$ 13,173,159</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended March 31, 2013

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,776,241	\$ 2,123,267	\$ 198,165	\$ 4,097,673
Payments to vendors and suppliers	(1,398,182)	(1,722,459)	(168,723)	(3,289,364)
Payments to employees	(37,091)	(41,824)	(11,024)	(89,939)
Net cash provided by operating activities	<u>340,968</u>	<u>358,984</u>	<u>18,418</u>	<u>718,370</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	58,760	68,870	-	127,630
Connection fees paid to City of Grand Rapids	(58,760)	(68,870)	-	(127,630)
Tap and other fees	-	4,350	-	4,350
Acquisition of capital assets	(513,765)	-	-	(513,765)
Principal payments on capital debt	(75,000)	(12,000)	-	(87,000)
Interest payments on capital debt	(83,994)	(10,019)	-	(94,013)
Net cash used in capital and related financing activities	<u>(672,759)</u>	<u>(17,669)</u>	<u>-</u>	<u>(690,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in investment	-	(394)	-	(394)
Interest received	<u>533</u>	<u>7,064</u>	<u>1,265</u>	<u>8,862</u>
Net cash provided by investing activities	<u>533</u>	<u>6,670</u>	<u>1,265</u>	<u>8,468</u>
NET INCREASE (DECREASE) IN CASH	(331,258)	347,985	19,683	36,410
CASH - BEGINNING	<u>959,690</u>	<u>908,045</u>	<u>210,166</u>	<u>2,077,901</u>
CASH - ENDING	<u>\$ 628,432</u>	<u>\$ 1,256,030</u>	<u>\$ 229,849</u>	<u>\$ 2,114,311</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended March 31, 2013

	<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	\$ 210,112	\$ 138,356	\$ 32,053	\$ 380,521
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	151,307	152,803	-	304,110
(Increase) decrease in receivables	(15,217)	83,655	(67,826)	612
Increase (decrease) in payables	<u>(5,234)</u>	<u>(15,830)</u>	<u>54,191</u>	<u>33,127</u>
Net cash provided by operating activities	<u>\$ 340,968</u>	<u>\$ 358,984</u>	<u>\$ 18,418</u>	<u>\$ 718,370</u>

See notes to financial statements

Township of Ada

STATEMENT OF FIDUCIARY NET POSITION - *agency funds*

March 31, 2013

ASSETS

Cash	\$ 22,108
Due from other governmental units	<u>5,658</u>
Total assets	<u>\$ 27,766</u>

LIABILITIES

Bank overdraft	\$ 5,658
Escrow deposits	<u>22,108</u>
Total liabilities	<u>\$ 27,766</u>

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:

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, the Ada Downtown Development Authority is considered a component unit. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely presented component unit - Ada Downtown Development Authority:

The Township exercises oversight responsibility over the Authority as the component unit's governing body is appointed by the Township Supervisor and its budget must be approved by the Township Board. Separate financial statements for the component unit have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation.

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. 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 and fiduciary 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.

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 property tax 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.

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

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 so 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 Township reports the following major proprietary funds:

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

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

The Township reports two fiduciary funds, the Tax Collection Fund and the Escrow Fund, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, and other governments. Agency 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Assets, liabilities, 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 investment income.

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.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems, shared road costs and similar items), 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of governmental activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its 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	20 - 67 years

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.

Net position - Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. 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 and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to 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 donors. Restricted net position is reduced by liabilities and deferred inflows of resources 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Assets, liabilities, and net position or equity (continued):*

Fund equity - Governmental funds report restricted fund balance 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's 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. There were no reportable budget variances during the current fiscal year.

NOTE 3 - CASH AND INVESTMENTS

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

	<i>Governmental funds</i>	<i>Proprietary funds</i>	<i>Agency funds</i>	<i>Component unit</i>	<i>Totals</i>
Per financial statements:					
Cash	\$ 5,314,613	\$ 2,114,311	\$ 22,108	\$ 226,143	\$ 7,677,175
Investments	863,322	84,248	-	-	947,570
Totals	<u>\$ 6,177,935</u>	<u>\$ 2,198,559</u>	<u>\$ 22,108</u>	<u>\$ 226,143</u>	<u>\$ 8,624,745</u>
Composition:					
Cash on hand	\$ 200	\$ -	\$ -	\$ -	\$ 200
Deposits	5,314,413	2,114,311	22,108	226,143	7,676,975
Investments	863,322	84,248	-	-	947,570
Totals	<u>\$ 6,177,935</u>	<u>\$ 2,198,559</u>	<u>\$ 22,108</u>	<u>\$ 226,143</u>	<u>\$ 8,624,745</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2013, \$6,972,213 of the Township's bank balances of \$7,722,213 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute; and f) investment pools organized under the local government investment pool act. The Township's investments consist of holdings, in the amount of \$947,570, in the Kent County Investment Pool, a non-risk categorized, qualifying investment pool. This pool is not subject to regulatory oversight, is not registered with the SEC, and does not issue a separate report. The fair value of the Township's position in the pool is the same as the value of its pool shares.

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2013, for the Township's funds were as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Accounts</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Governmental funds:				
General	\$ 11,575	\$ 61,647	\$ 147,372	\$ 220,594
Public Safety	9,696	-	-	9,696
Trails	6,032	-	-	6,032
Parks and Land Preservation	2,786	-	-	2,786
Parks and Recreation	5,047	-	-	5,047
Total governmental funds	<u>\$ 35,136</u>	<u>\$ 61,647</u>	<u>\$ 147,372</u>	<u>\$ 244,155</u>
Proprietary funds:				
Sewer	\$ -	\$ 314,091	\$ -	\$ 314,091
Water	-	233,303	-	233,303
Nonmajor	-	67,826	-	67,826
Total proprietary funds	<u>\$ -</u>	<u>\$ 615,220</u>	<u>\$ -</u>	<u>\$ 615,220</u>

All receivables are due within one year and are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2013, 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	\$ 2,788,390	\$ 35,716	\$ -	\$ 2,824,106
Capital assets being depreciated:				
Buildings and improvements	9,526,929	383,286	-	9,910,215
Furniture, fixtures, and equipment	1,590,300	9,967	-	1,600,267
Vehicles	1,220,505	18,583	-	1,239,088
Subtotal	12,337,734	411,836	-	12,749,570
Less accumulated depreciation for:				
Buildings and improvements	(1,907,342)	(463,409)	-	(2,370,751)
Furniture, fixtures, and equipment	(1,006,026)	(70,897)	-	(1,076,923)
Vehicles	(775,881)	(64,876)	-	(840,757)
Subtotal	(3,689,249)	(599,182)	-	(4,288,431)
Total capital assets being depreciated, net	8,648,485	(187,346)	-	8,461,139
Governmental activities capital assets, net	\$ 11,436,875	\$ (151,630)	\$ -	\$ 11,285,245
Business-type activities:				
Capital assets being depreciated:				
Facilities	\$ 18,866,442	\$ 513,765	\$ -	\$ 19,380,207
Buildings	41,090	-	-	41,090
Equipment	46,327	-	-	46,327
Subtotal	18,953,859	513,765	-	19,467,624
Less accumulated depreciation for:				
Facilities	(5,687,541)	(302,742)	-	(5,990,283)
Buildings	(30,099)	(1,368)	-	(31,467)
Equipment	(46,327)	-	-	(46,327)
Subtotal	(5,763,967)	(304,110)	-	(6,068,077)
Business-type activities capital assets, net	\$ 13,189,892	\$ 209,655	\$ -	\$ 13,399,547

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 33,291
Public safety	112,307
Public works	85,321
Recreation and culture	<u>368,263</u>
Total governmental activities	<u>\$ 599,182</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2013, for the Township's funds, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Primary government:				
Governmental funds:				
General	\$ 28,760	\$ 19,180	\$ -	\$ 47,940
Public Safety	38,445	7,830	-	46,275
Trails	45,221	-	-	45,221
Parks and Land Preservation	34	-	-	34
Parks and Recreation	<u>7,995</u>	<u>3,892</u>	<u>-</u>	<u>11,887</u>
Total governmental funds	<u>\$ 120,455</u>	<u>\$ 30,902</u>	<u>\$ -</u>	<u>\$ 151,357</u>
Proprietary funds:				
Sewer	\$ 273,476	\$ 720	\$ 34,891	\$ 309,087
Water	185,392	810	4,139	190,341
Nonmajor	<u>54,391</u>	<u>-</u>	<u>-</u>	<u>54,391</u>
Total proprietary funds	<u>\$ 513,259</u>	<u>\$ 1,530</u>	<u>\$ 39,030</u>	<u>\$ 553,819</u>
Component unit:				
Downtown Development Authority	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450</u>

NOTE 7 - NONCURRENT LIABILITIES

At March 31, 2013, noncurrent liabilities consist of the following individual items:

Governmental activities:

Bonds:

\$4,575,000 2007 Capital improvement bonds - payable in annual installments ranging from \$170,000 to \$480,000, plus interest at 4.10% to 4.20%; final payment due May 2021	\$ 3,495,000
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\$314,600 2011 Capital improvement bonds - payable in annual installments of \$13,000 to \$26,000, plus interest at 1.50% to 4.50%; final payment due May 2028	<u>301,600</u>
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Total bonds	3,796,600
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Accrued compensated absences	<u>67,350</u>
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Total governmental activities noncurrent liabilities	<u><u>\$ 3,863,950</u></u>
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Business-type activities:

Bonds:

\$290,400 2011 Capital improvement bonds - payable in annual installments ranging from \$12,000 to \$24,000, plus interest at 1.50% to 4.50%; final payment due May 2028	\$ 278,400
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\$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	<u>2,250,000</u>
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Total business-type activities noncurrent liabilities	<u><u>\$ 2,528,400</u></u>
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NOTE 7 - NONCURRENT LIABILITIES (Continued)

Noncurrent liability activity for the year ended March 31, 2013, 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:					
2007 Capital improvement bonds	\$ 3,760,000	\$ -	\$ (265,000)	\$ 3,495,000	\$ 290,000
2011 CIP Bonds Series A (52%)	314,600	-	(13,000)	301,600	13,000
Total bonds	4,074,600	-	(278,000)	3,796,600	303,000
Compensated absences	56,180	64,880	(53,710)	67,350	-
Total governmental activities	<u>\$ 4,130,780</u>	<u>\$ 64,880</u>	<u>\$ (331,710)</u>	<u>\$ 3,863,950</u>	<u>\$ 303,000</u>
Business-type activities:					
Bonds:					
2011 CIP Bonds Series A (48%)	\$ 290,400	\$ -	\$ (12,000)	\$ 278,400	\$ 12,000
2011 CIP Bonds Series B	2,325,000	-	(75,000)	2,250,000	75,000
Total business-type activities	<u>\$ 2,615,400</u>	<u>\$ -</u>	<u>\$ (87,000)</u>	<u>\$ 2,528,400</u>	<u>\$ 87,000</u>

At March 31, 2013, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
<u>March 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 303,000	\$ 148,933	\$ 87,000	\$ 92,896
2015	328,000	136,309	92,000	91,257
2016	353,000	122,628	97,000	89,392
2017	380,600	107,845	104,400	87,158
2018	405,600	91,966	104,400	84,559
2019 - 2023	1,886,000	193,305	609,000	370,127
2024 - 2028	114,400	18,912	765,600	239,274
2029 - 2031	26,000	585	669,000	61,478
Totals	<u>\$ 3,796,600</u>	<u>\$ 820,483</u>	<u>\$ 2,528,400</u>	<u>\$ 1,116,141</u>

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

NOTE 8 - PROPERTY TAXES

The 2012 taxable valuation of the Township approximated \$890,108,289, on which ad valorem taxes levied consisted of 0.9165 mills for operating purposes, 0.8000 mills for fire/police protection, .2500 mills for parks/land, .3963 mills for parks, and .4977 mills for trails, raising approximately \$799,000 for operating purposes, \$668,000 for fire/police protection, \$185,000 for parks and land, \$355,000 for parks, and \$437,000 for trails. These amounts are recognized in the fund financial statements as property tax revenue.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The Township provides pension benefits for all elected officials, full-time employees, and paid on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes an amount equal to 5% of compensation for paid on-call firefighters and 10% of compensation for all other eligible employees. Paid on-call firefighters are required to contribute 6.2% of compensation and all other covered employees may voluntarily contribute up to 10% of their compensation to the plan. The Township's contributions for each employee (and interest allocated to the employee's account) are vested after 90 days. The Township and eligible employees made the required contributions of \$95,425 and \$25,637, respectively, for the year ended March 31, 2013. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. Accordingly, plan assets and changes therein are not reported in these financial statements.

NOTE 10 - INTERFUND TRANSFERS

The interfund transfers for the year ended March 31, 2013, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Trails	\$ 270,000		
Parks and Recreation	159,362		
	<u>\$ 429,362</u>	General	<u>\$ 429,362</u>

The transfers to the Trails and Parks and Recreation funds represent unrestricted revenues, collected in the General Fund, that were used to support expenditures recorded in the Trails and Parks and Recreation Fund.

NOTE 11 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan 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 32, plan balances and activities are not reflected in the Township's financial statements.

NOTE 12 - ECONOMIC DEPENDENCY

For the fiscal year ended March 31, 2013, the Township received approximately 18% of its property tax revenue and 33% percent of its sewer and water utility revenue from one industrial property owner.

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.

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in several Michigan Tax Tribunal cases, filed by property owners, 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 these amounts in the financial statements. The Township intends to vigorously defend its position in each case.

NOTE 14 - RECENT ACCOUNTING PRONOUNCEMENTS

Effective April 1, 2012, the Township adopted the provisions of the following accounting pronouncements:

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989, that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. Adoption of this standard did not result in restatement or reclassification of opening net position (formerly net assets) or fund balances.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This Statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Adoption of this standard did not result in restatement or reclassification of opening net position or fund balances.

NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*, effective for periods beginning after June 15, 2012. This Statement, which is an amendment to Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the Statement also clarifies the reporting of equity interest in legally separate organizations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning April 1, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning April 1, 2013.

NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for periods beginning after June 15, 2014. This Statement generally carries forward the requirements of Statement No. 27 for employer accounting and financial reporting for defined contribution plans. In this Statement, the definition of defined contribution pensions, as well as the accounting requirements for such pensions, includes provisions to accommodate circumstances in which the timing of payments into individual accounts does not coincide with the period of employee service to which defined contributions pertain (as when a nonvested employee accumulates credits for which the employer delays payment into the employee's account until vesting provisions have been satisfied). This Statement also establishes requirements to address accounting for forfeitures. The Statement also enhances accountability and transparency through revised note disclosures. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning April 1, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ada

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 832,003	\$ 834,303	\$ 799,193	\$ (35,110)
Licenses and permits	191,500	194,500	200,755	6,255
State grants	895,000	895,000	954,539	59,539
Charges for services	25,400	25,400	19,568	(5,832)
Interest and rentals	94,000	94,000	95,062	1,062
Other:				
Special assessments	61,519	61,519	58,903	(2,616)
Miscellaneous	7,500	17,500	6,575	(10,925)
Total revenues	<u>2,106,922</u>	<u>2,122,222</u>	<u>2,134,595</u>	<u>12,373</u>
EXPENDITURES				
Legislative	<u>34,685</u>	<u>34,685</u>	<u>31,555</u>	<u>3,130</u>
General government:				
Supervisor	53,604	53,604	52,428	1,176
Elections	32,295	19,695	16,426	3,269
Assessor	219,182	219,182	199,701	19,481
Clerk	159,947	159,947	140,623	19,324
Board of review	2,065	2,065	1,292	773
Treasurer	160,621	160,621	154,199	6,422
Building and grounds	116,866	145,566	138,315	7,251
Cemeteries	34,289	34,289	26,205	8,084
General administration	<u>470,529</u>	<u>552,111</u>	<u>496,044</u>	<u>56,067</u>
Total general government	<u>1,249,398</u>	<u>1,347,080</u>	<u>1,225,233</u>	<u>121,847</u>
Public works:				
Road maintenance and improvements	327,814	327,814	238,930	88,884
Street lighting	<u>62,843</u>	<u>62,843</u>	<u>40,068</u>	<u>22,775</u>
Total public works	<u>390,657</u>	<u>390,657</u>	<u>278,998</u>	<u>111,659</u>
Community and economic development:				
Community and economic development	185,661	185,661	138,992	46,669
Downtown development	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Total community and economic development	<u>290,661</u>	<u>290,661</u>	<u>243,992</u>	<u>46,669</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2013

	<i><u>Original budget</u></i>	<i><u>Final budget</u></i>	<i><u>Actual</u></i>	<i><u>Variance with final budget positive (negative)</u></i>
EXPENDITURES (Continued)				
Debt service:				
Principal	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Interest	10,858	10,959	10,936	23
Capital outlay	17,550	42,585	18,109	24,476
Total expenditures	<u>2,006,809</u>	<u>2,129,627</u>	<u>1,821,823</u>	<u>307,804</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,113	(7,405)	312,772	320,177
OTHER FINANCING USES				
Transfers out	<u>(464,450)</u>	<u>(464,450)</u>	<u>(429,362)</u>	<u>35,088</u>
NET CHANGES IN FUND BALANCES	(364,337)	(471,855)	(116,590)	355,265
FUND BALANCES - BEGINNING	<u>2,030,101</u>	<u>2,030,101</u>	<u>2,030,101</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,665,764</u>	<u>\$ 1,558,246</u>	<u>\$ 1,913,511</u>	<u>\$ 355,265</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended March 31, 2013

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 707,122	\$ 707,122	\$ 667,535	\$ (39,587)
Interest	9,850	9,850	8,831	(1,019)
Other	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total revenues	<u>717,972</u>	<u>717,972</u>	<u>676,366</u>	<u>(41,606)</u>
EXPENDITURES				
Public safety:				
Police protection	310,000	310,000	291,753	18,247
Fire protection	<u>497,840</u>	<u>507,840</u>	<u>484,383</u>	<u>23,457</u>
Total public safety	807,840	817,840	776,136	41,704
Capital outlay	<u>329,891</u>	<u>103,891</u>	<u>31,052</u>	<u>72,839</u>
Total expenditures	<u>1,137,731</u>	<u>921,731</u>	<u>807,188</u>	<u>114,543</u>
NET CHANGES IN FUND BALANCES	(419,759)	(203,759)	(130,822)	72,937
FUND BALANCES - BEGINNING	<u>1,923,982</u>	<u>1,923,982</u>	<u>1,923,982</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,504,223</u>	<u>\$ 1,720,223</u>	<u>\$ 1,793,160</u>	<u>\$ 72,937</u>

BUDGETARY COMPARISON SCHEDULE - Trails Fund

Year ended March 31, 2013

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 439,410	\$ 439,410	\$ 437,676	\$ (1,734)
State grant	38,016	38,016	-	(38,016)
Interest and rentals	<u>100</u>	<u>200</u>	<u>156</u>	<u>(44)</u>
Total revenues	<u>477,526</u>	<u>477,626</u>	<u>437,832</u>	<u>(39,794)</u>
EXPENDITURES				
Recreation and culture	17,845	17,845	12,316	5,529
Debt service:				
Principal	265,000	265,000	265,000	-
Interest and fees	149,657	149,982	149,983	(1)
Capital outlay	<u>423,580</u>	<u>114,368</u>	<u>81,291</u>	<u>33,077</u>
Total expenditures	<u>856,082</u>	<u>547,195</u>	<u>508,590</u>	<u>38,605</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(378,556)	(69,569)	(70,758)	(1,189)
OTHER FINANCING SOURCES				
Transfers in	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(108,556)	200,431	199,242	(1,189)
FUND BALANCES - BEGINNING	<u>353,001</u>	<u>353,001</u>	<u>353,001</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 244,445</u>	<u>\$ 553,432</u>	<u>\$ 552,243</u>	<u>\$ (1,189)</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks and Land Preservation Fund

Year ended March 31, 2013

	<i><u>Original budget</u></i>	<i><u>Final budget</u></i>	<i><u>Actual</u></i>	<i><u>Variance with final budget positive (negative)</u></i>
REVENUES				
Property taxes	\$ 203,393	\$ 203,393	\$ 185,235	\$ (18,158)
Interest and rentals	<u>4,000</u>	<u>4,000</u>	<u>4,671</u>	<u>671</u>
Total revenues	<u>207,393</u>	<u>207,393</u>	<u>189,906</u>	<u>(17,487)</u>
EXPENDITURES				
Recreation and culture	32,972	32,972	19,007	13,965
Capital outlay	<u>202,000</u>	<u>202,000</u>	<u>20,716</u>	<u>181,284</u>
Total expenditures	<u>234,972</u>	<u>234,972</u>	<u>39,723</u>	<u>195,249</u>
NET CHANGES IN FUND BALANCES	(27,579)	(27,579)	150,183	177,762
FUND BALANCES - BEGINNING	<u>1,246,566</u>	<u>1,246,566</u>	<u>1,246,566</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 1,218,987</u></u>	<u><u>\$ 1,218,987</u></u>	<u><u>\$ 1,396,749</u></u>	<u><u>\$ 177,762</u></u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks and Recreation Fund

Year ended March 31, 2013

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 367,770	\$ 367,770	\$ 355,195	\$ (12,575)
State grant	-	185	685	500
Charges for services	55,500	55,500	48,618	(6,882)
Interest and rentals	24,050	25,050	23,007	(2,043)
Other	2,000	32,500	33,483	983
Total revenues	<u>449,320</u>	<u>481,005</u>	<u>460,988</u>	<u>(20,017)</u>
EXPENDITURES				
Recreation and culture	336,039	342,139	318,250	23,889
Capital outlay	<u>146,900</u>	<u>176,900</u>	<u>163,969</u>	<u>12,931</u>
Total expenditures	<u>482,939</u>	<u>519,039</u>	<u>482,219</u>	<u>36,820</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(33,619)	(38,034)	(21,231)	16,803
OTHER FINANCING SOURCES				
Transfers in	<u>199,450</u>	<u>199,450</u>	<u>159,362</u>	<u>(40,088)</u>
NET CHANGES IN FUND BALANCES	165,831	161,416	138,131	(23,285)
FUND BALANCES - BEGINNING	<u>476,939</u>	<u>476,939</u>	<u>476,939</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 642,770</u>	<u>\$ 638,355</u>	<u>\$ 615,070</u>	<u>\$ (23,285)</u>

SUPPLEMENTARY INFORMATION

Township of Ada**COMBINING STATEMENT OF FIDUCIARY NET POSITION - *agency funds****March 31, 2013*

	<i>Tax Collection</i>	<i>Escrow</i>	<i>Totals</i>
ASSETS			
Cash	\$ -	\$ 22,108	\$ 22,108
Due from other governmental units	<u>5,658</u>	<u>-</u>	<u>5,658</u>
Total assets	<u><u>\$ 5,658</u></u>	<u><u>\$ 22,108</u></u>	<u><u>\$ 27,766</u></u>
LIABILITIES			
Bank overdraft	\$ 5,658	\$ -	\$ 5,658
Escrow deposits	<u>-</u>	<u>22,108</u>	<u>22,108</u>
Total liabilities	<u><u>\$ 5,658</u></u>	<u><u>\$ 22,108</u></u>	<u><u>\$ 27,766</u></u>

Township of Ada**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - Downtown Development Authority***Year ended March 31, 2013*

	<i><u>Original budget</u></i>	<i><u>Final budget</u></i>	<i><u>Actual</u></i>	<i><u>Variance with final budget positive (negative)</u></i>
REVENUES				
Tax increment financing	\$ -	\$ -	\$ 99,935	\$ 99,935
Local unit contribution	105,000	105,000	105,000	-
Charges for services	17,100	17,100	15,513	(1,587)
Interest	100	100	637	537
Other	<u>7,600</u>	<u>7,600</u>	<u>1,818</u>	<u>(5,782)</u>
Total revenues	129,800	129,800	222,903	93,103
EXPENDITURES				
Community and economic development	<u>32,848</u>	<u>36,554</u>	<u>19,736</u>	<u>16,818</u>
NET CHANGES IN FUND BALANCES	96,952	93,246	203,167	109,921
FUND BALANCES - BEGINNING	<u>22,526</u>	<u>22,526</u>	<u>22,526</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 119,478</u>	<u>\$ 115,772</u>	<u>\$ 225,693</u>	<u>\$ 109,921</u>

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July 9, 2013

To the Board of Trustees
Township of Ada

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Ada for the year ended March 31, 2013. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 13, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Ada are described in Note 1 to the financial statements. Except as described in Note 14 to the financial statements, no new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2013. We noted no transactions entered into by the Township of Ada during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2013.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Ada's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Ada as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Ada's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Township of Ada's internal control to be a material weakness:

Material audit adjustments and financial statement preparation:

Condition and criteria: Policies and procedures to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record revenue accruals, expense accruals, changes in capital assets and related long-term debt, and to develop appropriate footnote disclosures were not in place. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a repeat finding.

Effect: The Township's financial reporting system does not produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: As in prior years, the Township has relied upon the auditor to identify and develop material adjustments necessary to prepare the financial statements and appropriate disclosures.

Auditor's Recommendation: We recommend that management analyze the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

We did not audit the Township of Ada's response to the internal control finding described above and, accordingly, we express no opinion on it.

Board of Trustees
Page 4
July 9, 2013

This communication is intended solely for the information and use of the Board of Trustees of the Township of Ada and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.