

*Township of Ada*  
*Kent County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended March 31, 2014*

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	3 - 4
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5 - 12
<b>BASIC FINANCIAL STATEMENTS</b>	
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 assets and liabilities - agency funds	21
Notes to financial statements	22 - 33
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
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
<b>SUPPLEMENTARY INFORMATION</b>	
Combining statement of fiduciary assets and liabilities - 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

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, 2014, 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, 2014, 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. 61, *The Financial Reporting Entity Omnibus* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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.*

June 16, 2014

## 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, 2014. Please read it in conjunction with the Township's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Township's total net position increased by \$974,327 (4 percent) as a result of this year's activities. The net position of the governmental activities increased by \$628,762 and the net position of the business-type activities increased by \$345,565.
- Of the \$27,824,977 total net position reported, \$6,218,304 (22 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 \$1,909,348, which represents 111 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 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-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and construction code inspection services.
  - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as a 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 2014 and 2013 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 one other 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-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 \$27,824,977. Of this total, \$19,132,527 is invested in capital assets and \$2,474,146 is restricted for various purposes. Consequently, unrestricted net position was \$6,218,304, or 22 percent of the total.

## Condensed financial information

## Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 6,145,791	\$ 6,472,153	\$ 3,109,672	\$ 2,855,831	\$ 9,255,463	\$ 9,327,984
Capital assets	<u>11,972,090</u>	<u>11,285,245</u>	<u>13,095,437</u>	<u>13,399,547</u>	<u>25,067,527</u>	<u>24,684,792</u>
Total assets	<u>18,117,881</u>	<u>17,757,398</u>	<u>16,205,109</u>	<u>16,255,378</u>	<u>34,322,990</u>	<u>34,012,776</u>
Current and other liabilities	318,028	283,307	244,985	553,819	563,013	837,126
Long-term debt outstanding	<u>3,493,600</u>	<u>3,796,600</u>	<u>2,441,400</u>	<u>2,528,400</u>	<u>5,935,000</u>	<u>6,325,000</u>
Total liabilities	<u>3,811,628</u>	<u>4,079,907</u>	<u>2,686,385</u>	<u>3,082,219</u>	<u>6,498,013</u>	<u>7,162,126</u>
Net position:						
Net investment in capital assets	8,478,490	7,488,645	10,654,037	10,871,147	19,132,527	18,359,792
Restricted	<u>2,474,146</u>	<u>2,812,926</u>	-	-	<u>2,474,146</u>	<u>2,812,926</u>
Unrestricted	<u>3,353,617</u>	<u>3,375,920</u>	<u>2,864,687</u>	<u>2,302,012</u>	<u>6,218,304</u>	<u>5,677,932</u>
Total net position	<u>\$ 14,306,253</u>	<u>\$ 13,677,491</u>	<u>\$ 13,518,724</u>	<u>\$ 13,173,159</u>	<u>\$ 27,824,977</u>	<u>\$ 26,850,650</u>

## Changes in net position

The Township's total revenues for the current fiscal year amounted to \$8,055,740. Charges for services account for more than 52 percent of the Township's revenues, while property taxes account for nearly 31 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 2014, covering a wide range of services, totaled \$7,081,413. 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 16 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>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Program revenues:						
Charges for services	\$ 241,370	\$ 266,867	\$ 3,955,258	\$ 4,229,041	\$ 4,196,628	\$ 4,495,908
Operating grants and contributions	14,215	15,135	-	-	14,215	15,135
Capital grants and contributions	130,720	32,013	-	-	130,720	32,013
General revenues:						
Property taxes	2,516,022	2,423,313	-	-	2,516,022	2,423,313
State shared revenue	971,914	954,539	-	-	971,914	954,539
Franchise fees	190,818	181,808	-	-	190,818	181,808
Interest on investments	24,744	26,012	10,679	8,862	35,423	34,874
Total revenues	<b>4,089,803</b>	<b>3,899,687</b>	<b>3,965,937</b>	<b>4,237,903</b>	<b>8,055,740</b>	<b>8,137,590</b>
Expenses:						
General government	1,237,929	1,275,988	-	-	1,237,929	1,275,988
Public safety	926,579	916,955	175,292	233,938	1,101,871	1,150,893
Public works	200,649	137,772	-	-	200,649	137,772
Recreation and culture	767,673	829,012	-	-	767,673	829,012
Community and economic development	148,812	246,997	-	-	148,812	246,997
Interest on long-term debt	179,399	160,258	-	-	179,399	160,258
Sewer	-	-	1,625,490	1,725,762	1,625,490	1,725,762
Water	-	-	1,819,590	1,980,752	1,819,590	1,980,752
Total expenses	<b>3,461,041</b>	<b>3,566,982</b>	<b>3,620,372</b>	<b>3,940,452</b>	<b>7,081,413</b>	<b>7,507,434</b>
Changes in net position	<b>\$ 628,762</b>	<b>\$ 332,705</b>	<b>\$ 345,565</b>	<b>\$ 297,451</b>	<b>\$ 974,327</b>	<b>\$ 630,156</b>
Net position, end of year	<b>\$ 14,306,253</b>	<b>\$ 13,677,491</b>	<b>\$ 13,518,724</b>	<b>\$ 13,173,159</b>	<b>\$ 27,824,977</b>	<b>\$ 26,850,650</b>

**Governmental activities**

Governmental activities increased the Township's net position by \$628,762 in the current year, compared to a \$332,705 increase in the prior year. Total revenues increased by \$190,116 and expenses decreased by \$105,941, which generated a larger increase in net position in the current year.

Total revenues increased for two reasons:

- Capital contribution revenues increased by \$98,707 due to significant private contributions to support park and infrastructure improvements.
- Property tax revenues increased by \$92,709 because taxable values increased.

Total expenses decreased because community and economic development costs were \$98,185 lower as the prior year included a \$105,000 contribution to the Downtown Development Authority.

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.

	<i>Total cost of services</i>	<i>Net cost of services</i>
General government	\$ 1,237,929	\$ 1,134,577
Public safety	926,579	922,669
Recreation and culture	767,673	580,846
Other	528,860	436,644
Totals	<u>\$ 3,461,041</u>	<u>\$ 3,074,736</u>

The total cost of governmental activities this year was \$3,461,041 compared to \$3,566,982 in the prior year. However, the amount that our taxpayers paid for these activities through general revenues was \$3,074,736. Some of the cost was paid by:

- Those who directly benefited from the programs (\$241,370), or
- Other governments and individuals that subsidized certain programs with grants and contributions (\$144,935).

The Township paid for the \$3,074,736 "public benefit" portion with \$3,703,498 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 \$345,565 in the current year compared to an increase of \$297,451 in the prior year. Net position has increased because customer charges were sufficient to cover all operating and nonoperating costs of the utility systems, including depreciation.

Net position increased in the current year because expenses decreased by \$320,080, though revenues also declined by \$271,966. Revenues decreased because utility usage declined. Expenses were reduced as costs associated with water purchases and inspections services declined.

#### **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

##### **Governmental funds**

As of March 31, 2014, the Township's governmental funds reported combined ending fund balances of \$5,957,873, which represents a decrease of \$312,860 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 \$1,940,503, though the unassigned fund balance amounted to \$1,909,348. Revenues exceeded expenditures by \$446,992, but the fund also transferred \$420,000 to other funds, which caused the fund balance to increase by only \$26,992.

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 \$1,424,669, a decrease of \$368,491 as expenditures exceeded revenues in the current year. The decrease in fund balance is the result of the purchase of a fire truck, in the amount of \$267,876, 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 \$441,626, a decrease of \$110,617. Fund balance decreased due to capital outlay expenditures, in the amount of \$399,274, that were only partially funded by 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 \$1,304,922, a decrease of \$91,827. Capital outlay and other recreation expenditures were lower than current revenues, primarily property taxes, but the fund transferred \$150,000 to the Parks and Recreation Fund causing the fund balance to decline.
- The fund balance of the Parks and Recreation Fund at the end of the fiscal year was \$846,153, an increase of \$231,083. Fund balance increased as transfers, in the amount of \$300,000, were received from other funds. The \$300,000 amount is assigned for capital acquisitions in the subsequent year.

**Proprietary funds**

The Sewer Fund generated operating income of \$279,556 and net position increased by \$191,369. 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 \$5,817,427 at year end, of which \$929,368 is unrestricted.

The Water Fund generated operating income of \$139,524 and net position increased by \$130,892. Net position increased due to a \$157,908 decrease in expenses, primarily related to a reduction in the cost of water purchases. Total net position is \$7,434,709 at year end, of which \$1,668,731 is unrestricted.

**General Fund budgetary highlights**

The Board made no amendments to budgeted revenues and expenditures of the General Fund but increased transfers to other funds, by \$270,000, to reflect an increase in financial support to other funds.

Total revenues of the General Fund were \$3,941 more than budgeted as actual experience approximated budgeted amounts in virtually every revenue category. Total expenditures were \$228,360 less than the amounts appropriated. General government costs were \$124,861 less than anticipated as most departments experienced lower than expected expenditures, and public works costs were \$101,113 lower than appropriated as road improvement projects came in under budget.

These conditions, along with other financing uses being \$13,500 less than anticipated, resulted in a \$245,801 positive budget variance, with a \$26,992 increase in fund balance compared to a budgeted decrease of \$218,809.

**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, 2014, amounts to \$25,067,527, 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	\$ 2,936,749	\$ -	\$ 2,936,749
Facilities	-	13,054,347	13,054,347
Buildings and improvements	7,971,058	41,090	8,012,148
Equipment	473,438	-	473,438
Vehicles	590,845	-	590,845
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	\$ 11,972,090	\$ 13,095,437	\$ 25,067,527

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

- Improvements were made to the trails at a cost of \$428,740
- Park improvements were made at Roselle Park at a cost of \$270,504
- A fire truck was purchased through the County; the Township's share of the purchase amounted to \$267,876
- Street improvement projects costs amounted to \$251,264
- Property was purchased for \$112,643

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 \$5,935,000, which represents a decrease of \$390,000 due to principal payments on bonds issued in previous years. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities, totaling \$76,610, 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 2015 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Township has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities.

**Contacting the Township's financial management**

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

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](mailto:ghaga@adatownshipmi.com)

Susan Burton  
Township Clerk  
[sburton@adatownshipmi.com](mailto:sburton@adatownshipmi.com)

Norm Rhoades  
Township Treasurer  
[nrhoades@adatownshipmi.com](mailto:nrhoades@adatownshipmi.com)

## **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

March 31, 2014

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
<b>ASSETS</b>				
Current assets:				
Cash	\$ 4,812,988	\$ 2,291,316	\$ 7,104,304	\$ 270,816
Cash with fiscal agent	399,441	138,061	537,502	-
Investments	673,622	84,597	758,219	-
Receivables	253,740	590,407	844,147	-
Prepaid expenses	6,000	-	6,000	-
Inventory	-	5,291	5,291	-
Total current assets	6,145,791	3,109,672	9,255,463	270,816
Noncurrent assets:				
Capital assets not being depreciated	3,020,675	-	3,020,675	-
Capital assets, net of depreciation	8,951,415	13,095,437	22,046,852	-
Total noncurrent assets	11,972,090	13,095,437	25,067,527	-
Total assets	18,117,881	16,205,109	34,322,990	270,816
<b>LIABILITIES</b>				
Current liabilities:				
Payables	241,418	244,985	486,403	2,834
Bonds payable	328,000	92,000	420,000	-
Total current liabilities	569,418	336,985	906,403	2,834
Noncurrent liabilities:				
Compensated absences	76,610	-	76,610	-
Bonds payable	3,165,600	2,349,400	5,515,000	-
Total noncurrent liabilities	3,242,210	2,349,400	5,591,610	-
Total liabilities	3,811,628	2,686,385	6,498,013	2,834
<b>NET POSITION</b>				
Net investment in capital assets	8,478,490	10,654,037	19,132,527	-
Restricted for:				
Public safety	903,279	-	903,279	-
Public works	31,155	-	31,155	-
Recreation and culture	1,539,712	-	1,539,712	-
Unrestricted	3,353,617	2,864,687	6,218,304	267,982
Total net position	\$ 14,306,253	\$ 13,518,724	\$ 27,824,977	\$ 267,982

See notes to financial statements

## STATEMENT OF ACTIVITIES

Year ended March 31, 2014

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:							
General government	\$ 1,237,929	\$ 103,352	\$ -	\$ -	\$ (1,134,577)		\$ (1,134,577)
Public safety	926,579	16	3,894	-	(922,669)		(922,669)
Public works	200,649	57,109	10,321	19,146	(114,073)		(114,073)
Recreation and culture	767,673	75,253	-	111,574	(580,846)		(580,846)
Community and economic development	148,812	5,640	-	-	(143,172)		(143,172)
Interest on long-term debt	179,399	-	-	-	(179,399)		(179,399)
Total governmental activities	3,461,041	241,370	14,215	130,720	(3,074,736)		(3,074,736)
Business-type activities:							
Sewer	1,625,490	1,812,139	-	-		\$ 186,649	186,649
Water	1,819,590	1,945,686	-	-		126,096	126,096
Inspections	175,292	197,433	-	-		22,141	22,141
Total business-type activities	3,620,372	3,955,258	-	-		334,886	334,886
Total primary government	\$ 7,081,413	\$ 4,196,628	\$ 14,215	\$ 130,720	(3,074,736)	334,886	(2,739,850)
Component unit:							
Downtown Development Authority	\$ 208,352	\$ 11,447	\$ 115,239	\$ -			\$ (81,666)
General revenues:							
Property taxes					2,516,022	-	2,516,022
State shared revenue					971,914	-	971,914
Franchise fees					190,818	-	190,818
Interest income					24,744	10,679	35,423
Total general revenues					3,703,498	10,679	3,714,177
Changes in net position					628,762	345,565	974,327
Net position - beginning					13,677,491	13,173,159	26,850,650
Net position - ending					\$ 14,306,253	\$ 13,518,724	\$ 27,824,977

See notes to financial statements



**BALANCE SHEET - governmental funds**

March 31, 2014

	<u>General</u>	<u>Public Safety</u>	<u>Trails</u>	<u>Parks and Land Preservation</u>	<u>Parks and Recreation</u>	<u>Total governmental funds</u>
<b>ASSETS</b>						
Cash	\$ 1,674,403	\$ 962,671	\$ 56,369	\$ 1,301,921	\$ 817,624	\$ 4,812,988
Cash with fiscal agent	18,273	-	381,168	-	-	399,441
Investments	123,495	521,390	-	-	28,737	673,622
Receivables	222,795	11,036	10,996	3,170	5,743	253,740
Total assets	<u>\$ 2,038,966</u>	<u>\$ 1,495,097</u>	<u>\$ 448,533</u>	<u>\$ 1,305,091</u>	<u>\$ 852,104</u>	<u>\$ 6,139,791</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities - payables	<u>\$ 98,463</u>	<u>\$ 70,428</u>	<u>\$ 6,907</u>	<u>\$ 169</u>	<u>\$ 5,951</u>	<u>\$ 181,918</u>
Fund balances:						
Restricted for:						
Public safety	-	903,279	-	-	-	903,279
Recreation and culture	-	-	-	1,304,922	205,010	1,509,932
Arboretum	-	-	-	-	29,780	29,780
Public works	31,155	-	-	-	-	31,155
Assigned for:						
Recreation and culture	-	-	-	-	311,363	311,363
Debt service	-	-	441,626	-	-	441,626
Capital purchases	-	521,390	-	-	300,000	821,390
Unassigned	<u>1,909,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,909,348</u>
Total fund balances	<u>1,940,503</u>	<u>1,424,669</u>	<u>441,626</u>	<u>1,304,922</u>	<u>846,153</u>	<u>5,957,873</u>
Total liabilities and fund balances	<u>\$ 2,038,966</u>	<u>\$ 1,495,097</u>	<u>\$ 448,533</u>	<u>\$ 1,305,091</u>	<u>\$ 852,104</u>	<u>\$ 6,139,791</u>

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

Total fund balance - total governmental funds \$ 5,957,873

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. 11,972,090

Expense deferrals/accruals:

Prepaid expenses	6,000
Compensated absences	(76,610)
Interest payable	(59,500)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (3,493,600)

Net position of *governmental activities* \$ 14,306,253

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

Year ended March 31, 2014

	<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>
<b>REVENUES</b>						
Property taxes	\$ 825,117	\$ 693,910	\$ 457,868	\$ 190,986	\$ 370,223	\$ 2,538,104
Licenses and permits	205,033	-	-	-	-	205,033
State grants	971,792	-	-	-	122	971,914
Charges for services	20,665	-	-	-	48,848	69,513
Interest and rentals	70,344	6,258	1,457	3,552	29,027	110,638
Other	80,187	15	1,200	-	75,280	156,682
Total revenues	2,173,138	700,183	460,525	194,538	523,500	4,051,884
<b>EXPENDITURES</b>						
General government	1,201,747	-	-	-	-	1,201,747
Public safety	-	774,681	-	-	-	774,681
Public works	341,943	-	-	-	-	341,943
Recreation and culture	-	-	13,263	31,466	319,365	364,094
Community and economic development	146,552	-	-	-	-	146,552
Debt service:						
Principal	13,000	-	290,000	-	-	303,000
Interest and fees	10,731	-	138,605	-	-	149,336
Capital outlay	12,173	293,993	399,274	104,899	273,052	1,083,391
Total expenditures	1,726,146	1,068,674	841,142	136,365	592,417	4,364,744
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	446,992	(368,491)	(380,617)	58,173	(68,917)	(312,860)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	270,000	-	300,000	570,000
Transfers out	(420,000)	-	-	(150,000)	-	(570,000)
Net other financing sources (uses)	(420,000)	-	270,000	(150,000)	300,000	-
<b>NET CHANGES IN FUND BALANCES</b>	26,992	(368,491)	(110,617)	(91,827)	231,083	(312,860)
<b>FUND BALANCES - BEGINNING</b>	1,913,511	1,793,160	552,243	1,396,749	615,070	6,270,733
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,940,503</u>	<u>\$ 1,424,669</u>	<u>\$ 441,626</u>	<u>\$ 1,304,922</u>	<u>\$ 846,153</u>	<u>\$ 5,957,873</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						\$ (312,860)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 14) are different because:						
Capital assets:						
Assets acquired						1,350,815
Assets disposed, net						(20,018)
Provision for depreciation						(643,952)
Long-term debt:						
Principal payment on long-term debt						303,000
Changes in other assets/liabilities:						
Net decrease in deferred charges						(35,163)
Net decrease in prepaid expenses						(8,900)
Net increase in compensated absences						(9,260)
Net decrease in interest payable						5,100
Change in net position of <i>governmental activities</i>						<u>\$ 628,762</u>

See notes to financial statements

**Township of Ada****STATEMENT OF NET POSITION - proprietary funds**

March 31, 2014

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 607,320	\$ 1,418,336	\$ 265,660	\$ 2,291,316
Cash with fiscal agent	121,194	16,867	-	138,061
Investments	-	84,597	-	84,597
Receivables	343,867	240,499	6,041	590,407
Inventory	-	5,291	-	5,291
Total current assets	1,072,381	1,765,590	271,701	3,109,672
Noncurrent assets:				
Capital assets, net of accumulated depreciation	7,063,059	6,032,378	-	13,095,437
Total assets	8,135,440	7,797,968	271,701	16,205,109
<b>LIABILITIES</b>				
Current liabilities:				
Payables	143,013	96,859	5,113	244,985
Bond payable	80,000	12,000	-	92,000
Total current liabilities	223,013	108,859	5,113	336,985
Noncurrent liabilities:				
Bonds payable	2,095,000	254,400	-	2,349,400
Total liabilities	2,318,013	363,259	5,113	2,686,385
<b>NET POSITION</b>				
Net investment in capital assets	4,888,059	5,765,978	-	10,654,037
Unrestricted	929,368	1,668,731	266,588	2,864,687
Total net position	\$ 5,817,427	\$ 7,434,709	\$ 266,588	\$ 13,518,724

See notes to financial statements

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

Year ended March 31, 2014

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Utility charges	\$ 1,783,405	\$ 1,804,302	\$ -	\$ 3,587,707
Inspection fees	-	-	197,433	197,433
Hydrant rentals	-	78,570	-	78,570
	<u>1,783,405</u>	<u>1,882,872</u>	<u>197,433</u>	<u>3,863,710</u>
Total operating revenues				
	<u>1,783,405</u>	<u>1,882,872</u>	<u>197,433</u>	<u>3,863,710</u>
<b>OPERATING EXPENSES</b>				
Personnel costs	59,217	78,016	17,345	154,578
Supplies	10,069	24,222	-	34,291
Contracted services:				
Sewage treatment	1,169,029	1,296,551	-	2,465,580
Water purchases	-	-	-	-
Inspections	-	-	157,947	157,947
Other	21,603	67,064	-	88,667
Utilities	46,511	26,594	-	73,105
Repairs and maintenance	38,730	34,306	-	73,036
Depreciation	151,307	152,803	-	304,110
Miscellaneous	7,383	63,792	-	71,175
	<u>1,503,849</u>	<u>1,743,348</u>	<u>175,292</u>	<u>3,422,489</u>
Total operating expenses				
	<u>1,503,849</u>	<u>1,743,348</u>	<u>175,292</u>	<u>3,422,489</u>
<b>OPERATING INCOME</b>	<u>279,556</u>	<u>139,524</u>	<u>22,141</u>	<u>441,221</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Connection fee revenue	10,734	57,914	-	68,648
Connection fees remitted to City of Grand Rapids	(10,734)	(57,914)	-	(68,648)
Tap and other fees	18,000	4,900	-	22,900
Interest revenue	4,720	4,796	1,163	10,679
Interest expense	(110,907)	(18,328)	-	(129,235)
	<u>(88,187)</u>	<u>(8,632)</u>	<u>1,163</u>	<u>(95,656)</u>
Net nonoperating revenues (expenses)				
	<u>(88,187)</u>	<u>(8,632)</u>	<u>1,163</u>	<u>(95,656)</u>
<b>CHANGES IN NET POSITION</b>	191,369	130,892	23,304	345,565
<b>NET POSITION - BEGINNING</b>	<u>5,626,058</u>	<u>7,303,817</u>	<u>243,284</u>	<u>13,173,159</u>
<b>NET POSITION - ENDING</b>	<u>\$ 5,817,427</u>	<u>\$ 7,434,709</u>	<u>\$ 266,588</u>	<u>\$ 13,518,724</u>

See notes to financial statements

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended March 31, 2014

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,753,629	\$ 1,875,676	\$ 259,218	\$ 3,888,523
Payments to vendors and suppliers	(1,398,837)	(1,654,310)	(212,646)	(3,265,793)
Payments to employees	(37,964)	(29,634)	(11,924)	(79,522)
Net cash provided by operating activities	<u>316,828</u>	<u>191,732</u>	<u>34,648</u>	<u>543,208</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Connection fees	10,734	57,914	-	68,648
Connection fees paid to City of Grand Rapids	(10,734)	(57,914)	-	(68,648)
Tap and other fees	18,000	4,900	-	22,900
Decrease in payables	(81,252)	-	-	(81,252)
Principal payments on capital debt	(75,000)	(12,000)	-	(87,000)
Interest payments on capital debt	(83,214)	(9,906)	-	(93,120)
Net cash used in capital and related financing activities	<u>(221,466)</u>	<u>(17,006)</u>	<u>-</u>	<u>(238,472)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net increase in investment	-	(349)	-	(349)
Interest received	<u>4,720</u>	<u>4,796</u>	<u>1,163</u>	<u>10,679</u>
Net cash provided by investing activities	<u>4,720</u>	<u>4,447</u>	<u>1,163</u>	<u>10,330</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	100,082	179,173	35,811	315,066
<b>CASH - BEGINNING</b>	<u>628,432</u>	<u>1,256,030</u>	<u>229,849</u>	<u>2,114,311</u>
<b>CASH - ENDING</b>	<u>\$ 728,514</u>	<u>\$ 1,435,203</u>	<u>\$ 265,660</u>	<u>\$ 2,429,377</u>

See notes to financial statements

**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2014

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 279,556	\$ 139,524	\$ 22,141	\$ 441,221
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	151,307	152,803	-	304,110
(Increase) decrease in receivables	(29,776)	(7,196)	61,785	24,813
Decrease in payables	<u>(84,259)</u>	<u>(93,399)</u>	<u>(49,278)</u>	<u>(226,936)</u>
Net cash provided by operating activities	<u>\$ 316,828</u>	<u>\$ 191,732</u>	<u>\$ 34,648</u>	<u>\$ 543,208</u>

See notes to financial statements

***Township of Ada***

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - *agency funds***

*March 31, 2014*

---

**ASSETS**

Cash	\$ 70,540
------	-----------

**LIABILITIES**

Due to other governmental units	\$ 42,410
---------------------------------	-----------

Escrow deposits	28,130
-----------------	--------

Total liabilities	\$ 70,540
-------------------	-----------

*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. 61, *The Financial Reporting Entity Omnibus*, these financial statements present the Township, located in Kent County, 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 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 donors. 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.

**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.

*Excess of expenditures over appropriations* - The following schedule sets forth the budget variances:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$ 139,534	\$ 146,552	\$ (7,018)
Parks and Recreation	Capital outlay	47,400	273,052	(225,652)

**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	\$ 4,812,988	\$ 2,291,316	\$ 70,540	\$ 270,816	\$ 7,445,660
Cash with fiscal agent	399,441	138,061	-	-	537,502
Investments	<u>673,622</u>	<u>84,597</u>	<u>-</u>	<u>-</u>	<u>758,219</u>
Totals	<u>\$ 5,886,051</u>	<u>\$ 2,513,974</u>	<u>\$ 70,540</u>	<u>\$ 270,816</u>	<u>\$ 8,741,381</u>
Composition:					
Cash on hand	\$ 200	\$ -	\$ -	\$ -	\$ 200
Deposits	5,212,229	2,429,377	70,540	270,816	7,982,962
Investments	<u>673,622</u>	<u>84,597</u>	<u>-</u>	<u>-</u>	<u>758,219</u>
Totals	<u>\$ 5,886,051</u>	<u>\$ 2,513,974</u>	<u>\$ 70,540</u>	<u>\$ 270,816</u>	<u>\$ 8,741,381</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, 2014, \$7,784,629 of the Township's bank balances of \$8,534,629 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 \$758,219, 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, 2014, 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:				
General	\$ 13,086	\$ 67,517	\$ 142,192	\$ 222,795
Public Safety	11,036	-	-	11,036
Trails	6,865	4,131	-	10,996
Parks and Land Preservation	3,170	-	-	3,170
Parks and Recreation	5,743	-	-	5,743
Total governmental funds	<u>\$ 39,900</u>	<u>\$ 71,648</u>	<u>\$ 142,192</u>	<u>\$ 253,740</u>
Proprietary:				
Sewer	\$ -	\$ 343,867	\$ -	\$ 343,867
Water	-	240,499	-	240,499
Nonmajor	-	-	6,041	6,041
Total proprietary funds	<u>\$ -</u>	<u>\$ 584,366</u>	<u>\$ 6,041</u>	<u>\$ 590,407</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, 2014, 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	\$ 2,824,106	\$ 112,643	\$ -	\$ 2,936,749
Construction in progress	-	83,926	-	83,926
Subtotal	<u>2,824,106</u>	<u>196,569</u>	<u>-</u>	<u>3,020,675</u>
Capital assets being depreciated:				
Buildings and improvements	9,910,215	866,582	-	10,776,797
Furniture, fixtures, and equipment	1,600,267	19,788	(34,169)	1,585,886
Vehicles	1,239,088	267,876	(250,000)	1,256,964
Subtotal	<u>12,749,570</u>	<u>1,154,246</u>	<u>(284,169)</u>	<u>13,619,647</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,370,751)	(518,914)	-	(2,889,665)
Furniture, fixtures, and equipment	(1,076,923)	(62,178)	26,651	(1,112,450)
Vehicles	(840,757)	(62,860)	237,500	(666,117)
Subtotal	<u>(4,288,431)</u>	<u>(643,952)</u>	<u>264,151</u>	<u>(4,668,232)</u>
Total capital assets being depreciated, net	<u>8,461,139</u>	<u>510,294</u>	<u>(20,018)</u>	<u>8,951,415</u>
Governmental activities capital assets, net	<u>11,285,245</u>	<u>706,863</u>	<u>(20,018)</u>	<u>11,972,090</u>
Business-type activities:				
Capital assets being depreciated:				
Facilities	19,380,207	-	-	19,380,207
Buildings	41,090	-	-	41,090
Equipment	46,327	-	-	46,327
Subtotal	<u>19,467,624</u>	<u>-</u>	<u>-</u>	<u>19,467,624</u>
Less accumulated depreciation for:				
Facilities	(5,990,283)	(302,742)	-	(6,293,025)
Buildings	(31,467)	-	-	(31,467)
Equipment	(46,327)	(1,368)	-	(47,695)
Subtotal	<u>(6,068,077)</u>	<u>(304,110)</u>	<u>-</u>	<u>(6,372,187)</u>
Business-type activities capital assets, net	<u>\$ 13,399,547</u>	<u>\$ (304,110)</u>	<u>\$ -</u>	<u>\$ 13,095,437</u>

**NOTE 5 - CAPITAL ASSETS (Continued)**

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

Governmental activities:	
General government	\$ 28,780
Public safety	106,916
Public works	109,102
Recreation and culture	<u>399,154</u>
 Total governmental activities	 <u>\$ 643,952</u>

**NOTE 6 - PAYABLES**

Payables as of March 31, 2014, 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	\$ 71,545	\$ 26,918	\$ -	\$ 98,463
Public Safety	58,098	12,330	-	70,428
Trails	6,907	-	-	6,907
Parks and Land Preservation	169	-	-	169
Parks and Recreation	<u>2,481</u>	<u>3,470</u>	<u>-</u>	<u>5,951</u>
 Total governmental funds	 <u>\$ 139,200</u>	 <u>\$ 42,718</u>	 <u>\$ -</u>	 <u>\$ 181,918</u>
Proprietary funds:				
Sewer	\$ 107,795	\$ 890	\$ 34,328	\$ 143,013
Water	91,793	1,010	4,056	96,859
Nonmajor	<u>4,833</u>	<u>280</u>	<u>-</u>	<u>5,113</u>
 Total proprietary funds	 <u>\$ 204,421</u>	 <u>\$ 2,180</u>	 <u>\$ 38,384</u>	 <u>\$ 244,985</u>
Component unit:				
Downtown Development Authority	<u>\$ 2,584</u>	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 2,834</u>

**NOTE 7 - NONCURRENT LIABILITIES**

At March 31, 2014, 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	\$ 3,205,000
--	--------------

\$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>288,600</u>
--	----------------

Total bonds	3,493,600
-------------	-----------

Accrued compensated absences	<u>76,610</u>
------------------------------	---------------

Total governmental activities noncurrent liabilities	<u>\$ 3,570,210</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 1.50% to 4.50%; final payment due May 2028	\$ 266,400
--	------------

\$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>2,175,000</u>
---	------------------

Total business-type activities noncurrent liabilities	<u>\$ 2,441,400</u>
---	---------------------



## NOTE 7 - NONCURRENT LIABILITIES (Continued)

Noncurrent liability activity for the year ended March 31, 2014, 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	\$ 3,495,000	\$ -	\$ (290,000)	\$ 3,205,000	\$ 315,000
2011 CIP Bonds Series A (52%)	<u>301,600</u>	<u>-</u>	<u>(13,000)</u>	<u>288,600</u>	<u>13,000</u>
Total bonds	3,796,600	-	(303,000)	3,493,600	328,000
Compensated absences	<u>67,350</u>	<u>66,680</u>	<u>(57,420)</u>	<u>76,610</u>	<u>-</u>
Total governmental activities	<u>\$ 3,863,950</u>	<u>\$ 66,680</u>	<u>\$ (360,420)</u>	<u>\$ 3,570,210</u>	<u>\$ 328,000</u>
Business-type activities:					
Bonds:					
2011 CIP Bonds Series A (48%)	\$ 278,400	\$ -	\$ (12,000)	\$ 266,400	\$ 12,000
2011 CIP Bonds Series B	<u>2,250,000</u>	<u>-</u>	<u>(75,000)</u>	<u>2,175,000</u>	<u>80,000</u>
Total business-type activities	<u>\$ 2,528,400</u>	<u>\$ -</u>	<u>\$ (87,000)</u>	<u>\$ 2,441,400</u>	<u>\$ 92,000</u>

At March 31, 2014, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended March 31:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	430,600	75,023	109,400	81,629
2020 - 2024	1,476,200	123,945	638,800	348,783
2025 - 2029	119,600	13,835	800,400	205,679
2030 - 2032	<u>-</u>	<u>-</u>	<u>495,000</u>	<u>34,788</u>
Totals	<u>\$ 3,493,600</u>	<u>\$ 671,551</u>	<u>\$ 2,441,400</u>	<u>\$ 1,023,245</u>

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

**NOTE 8 - PROPERTY TAXES**

The 2013 taxable valuation of the Township approximated \$914,161,000, 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, .3963 mills for parks/land preservation, and .4977 mills for trails, raising approximately \$838,000 for operating purposes, \$731,000 for fire/police protection, \$229,000 for parks, \$362,000 for parks/land preservation parks, and \$455,000 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 \$98,271 and \$27,456, respectively, for the year ended March 31, 2014. 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, 2014, were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Trails	\$ 270,000	General	\$ 270,000
		General	150,000
		Land Preservation	150,000
Parks and Recreation	300,000		300,000
Total	\$ 570,000	Total	\$ 570,000

The transfer to the Trails Fund represents unrestricted revenues, collected in the General Fund, that were used to support expenditures recorded in the Trails Fund. The Land Preservation Fund and the General Fund each transferred \$150,000 to the Parks Fund for the future construction of park buildings.

**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, 2014, the Township received approximately 19% 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, 2013, the Township adopted the provisions of the following accounting pronouncements that did not result in restatement or reclassification of opening net position or fund balances:

Governmental Accounting Standards Board (GASB) Statement No. 61, *Financial Reporting Entity Omnibus*. 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.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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. While there was no restatement of opening net position, the Township wrote off, in the current year, unamortized deferred finance charges of \$35,165, of its governmental activities, and \$36,761 of its business-type activities. These costs are included in interest expense.

**NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENT**

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

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2014

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 826,742	\$ 826,742	\$ 825,117	\$ (1,625)
Licenses and permits	198,800	198,800	205,033	6,233
State grants	960,800	960,800	971,792	10,992
Charges for services	21,900	21,900	20,665	(1,235)
Interest and rentals	83,050	83,050	70,344	(12,706)
Other:				
Special assessments	58,905	58,905	57,109	(1,796)
Miscellaneous	19,000	19,000	23,078	4,078
<b>Total revenues</b>	<b>2,169,197</b>	<b>2,169,197</b>	<b>2,173,138</b>	<b>3,941</b>
<b>EXPENDITURES</b>				
General government:				
Legislative	34,685	34,685	31,681	3,004
Supervisor	49,963	49,963	53,126	(3,163)
Elections	21,024	21,024	1,035	19,989
Assessor	231,961	231,961	171,452	60,509
Clerk	145,706	145,706	141,858	3,848
Board of review	2,065	2,065	1,672	393
Treasurer	142,843	142,843	143,018	(175)
Building and grounds	146,698	146,698	135,732	10,966
Cemeteries	37,442	37,442	20,603	16,839
General administration	514,221	514,221	501,570	12,651
<b>Total general government</b>	<b>1,326,608</b>	<b>1,326,608</b>	<b>1,201,747</b>	<b>124,861</b>
Public works:				
Road maintenance and improvements	351,556	351,556	284,435	67,121
Street lighting	91,500	91,500	57,508	33,992
<b>Total public works</b>	<b>443,056</b>	<b>443,056</b>	<b>341,943</b>	<b>101,113</b>
Community and economic development	139,534	139,534	146,552	(7,018)

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2014

	<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>
<b>EXPENDITURES (Continued)</b>				
Debt service:				
Principal	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ -</u>
Interest	<u>10,958</u>	<u>10,958</u>	<u>10,731</u>	<u>227</u>
Capital outlay	<u>21,350</u>	<u>21,350</u>	<u>12,173</u>	<u>9,177</u>
Total expenditures	<u>1,954,506</u>	<u>1,954,506</u>	<u>1,726,146</u>	<u>228,360</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	214,691	214,691	446,992	232,301
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(163,500)</u>	<u>(433,500)</u>	<u>(420,000)</u>	<u>13,500</u>
<b>NET CHANGES IN FUND BALANCES</b>	51,191	(218,809)	26,992	245,801
<b>FUND BALANCES - BEGINNING</b>	<u>1,913,511</u>	<u>1,913,511</u>	<u>1,913,511</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 1,964,702</u></u>	<u><u>\$ 1,694,702</u></u>	<u><u>\$ 1,940,503</u></u>	<u><u>\$ 245,801</u></u>

**Township of Ada**

**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended March 31, 2014

	<i><b>Original budget</b></i>	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>				
Property taxes	\$ 700,696	\$ 700,696	\$ 693,910	\$ (6,786)
Interest	8,950	8,950	6,258	(2,692)
Other	<u>1,000</u>	<u>1,000</u>	<u>15</u>	<u>(985)</u>
Total revenues	<u>710,646</u>	<u>710,646</u>	<u>700,183</u>	<u>(10,463)</u>
<b>EXPENDITURES</b>				
Public safety:				
Police protection	320,000	320,000	281,164	38,836
Fire protection	<u>501,551</u>	<u>501,551</u>	<u>493,517</u>	<u>8,034</u>
Total public safety	821,551	821,551	774,681	46,870
Capital outlay	<u>331,809</u>	<u>331,809</u>	<u>293,993</u>	<u>37,816</u>
Total expenditures	<u>1,153,360</u>	<u>1,153,360</u>	<u>1,068,674</u>	<u>84,686</u>
<b>NET CHANGES IN FUND BALANCES</b>	(442,714)	(442,714)	(368,491)	74,223
<b>FUND BALANCES - BEGINNING</b>	<u>1,793,160</u>	<u>1,793,160</u>	<u>1,793,160</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,350,446</u>	<u>\$ 1,350,446</u>	<u>\$ 1,424,669</u>	<u>\$ 74,223</u>

**Township of Ada**

**BUDGETARY COMPARISON SCHEDULE - Trails Fund**

Year ended March 31, 2014

	<i><b>Original budget</b></i>	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>				
Property taxes	\$ 461,276	\$ 461,276	\$ 457,868	\$ (3,408)
State grant	99,170	99,170	-	(99,170)
Interest and rentals	300	300	1,457	1,157
Other	-	-	1,200	1,200
Total revenues	<u>560,746</u>	<u>560,746</u>	<u>460,525</u>	<u>(100,221)</u>
<b>EXPENDITURES</b>				
Recreation and culture	13,330	13,330	13,263	67
Debt service:				
Principal	290,000	290,000	290,000	-
Interest and fees	138,605	138,605	138,605	-
Capital outlay	<u>503,455</u>	<u>503,455</u>	<u>399,274</u>	<u>104,181</u>
Total expenditures	<u>945,390</u>	<u>945,390</u>	<u>841,142</u>	<u>104,248</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(384,644)	(384,644)	(380,617)	4,027
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>-</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(384,644)	(114,644)	(110,617)	4,027
<b>FUND BALANCES - BEGINNING</b>	<u>552,243</u>	<u>552,243</u>	<u>552,243</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 167,599</u>	<u>\$ 437,599</u>	<u>\$ 441,626</u>	<u>\$ 4,027</u>



**BUDGETARY COMPARISON SCHEDULE - Parks and Land Preservation Fund**

Year ended March 31, 2014

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 191,426	\$ 191,426	\$ 190,986	\$ (440)
Interest and rentals	<u>3,800</u>	<u>3,800</u>	<u>3,552</u>	<u>(248)</u>
Total revenues	<u>195,226</u>	<u>195,226</u>	<u>194,538</u>	<u>(688)</u>
<b>EXPENDITURES</b>				
Recreation and culture	40,604	40,604	31,466	9,138
Capital outlay	<u>402,000</u>	<u>402,000</u>	<u>104,899</u>	<u>297,101</u>
Total expenditures	<u>442,604</u>	<u>442,604</u>	<u>136,365</u>	<u>306,239</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(247,378)	(247,378)	58,173	305,551
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(397,378)	(397,378)	(91,827)	305,551
<b>FUND BALANCES - BEGINNING</b>	<u>1,396,749</u>	<u>1,396,749</u>	<u>1,396,749</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 999,371</u>	<u>\$ 999,371</u>	<u>\$ 1,304,922</u>	<u>\$ 305,551</u>

**Township of Ada**

**BUDGETARY COMPARISON SCHEDULE - Parks and Recreation Fund**

Year ended March 31, 2014

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 357,018	\$ 357,018	\$ 370,223	\$ 13,205
State grant	500	500	122	(378)
Charges for services	47,675	47,675	48,848	1,173
Interest and rentals	21,035	21,035	29,027	7,992
Other	2,500	2,500	75,280	72,780
Total revenues	<u>428,728</u>	<u>428,728</u>	<u>523,500</u>	<u>94,772</u>
<b>EXPENDITURES</b>				
Recreation and culture	341,444	341,444	319,365	22,079
Capital outlay	<u>47,400</u>	<u>47,400</u>	<u>273,052</u>	<u>(225,652)</u>
Total expenditures	<u>388,844</u>	<u>388,844</u>	<u>592,417</u>	<u>(203,573)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	39,884	39,884	(68,917)	(108,801)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	339,884	339,884	231,083	(108,801)
<b>FUND BALANCES - BEGINNING</b>	<u>615,070</u>	<u>615,070</u>	<u>615,070</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 954,954</u>	<u>\$ 954,954</u>	<u>\$ 846,153</u>	<u>\$ (108,801)</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Ada****COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - *agency funds****March 31, 2014*

	<i><b>Tax Collection</b></i>	<i><b>Escrow</b></i>	<i><b>Totals</b></i>
<b>ASSETS</b>			
Cash	\$ 42,410	\$ 28,130	\$ 70,540
<b>LIABILITIES</b>			
Due to other governmental units	\$ 42,410	\$ -	\$ 42,410
Escrow deposits	-	28,130	28,130
Total liabilities	\$ 42,410	\$ 28,130	\$ 70,540

**Township of Ada****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - Downtown Development Authority***Year ended March 31, 2014*

	<i><b>Original budget</b></i>	<i><b>Final budget</b></i>	<i><b>Actual</b></i>	<i><b>Variance with final budget positive (negative)</b></i>
<b>REVENUES</b>				
Tax increment financing	\$ 121,228	\$ 121,228	\$ 122,781	\$ 1,553
Local unit contribution	13,516	13,516	-	(13,516)
Charges for services	13,440	13,440	11,447	(1,993)
Interest	650	650	1,174	524
Other	3,700	116,700	115,239	(1,461)
Total revenues	152,534	265,534	250,641	(14,893)
<b>EXPENDITURES</b>				
Community and economic development	90,952	203,952	208,352	(4,400)
<b>NET CHANGES IN FUND BALANCES</b>	61,582	61,582	42,289	(19,293)
<b>FUND BALANCES - BEGINNING</b>	225,693	225,693	225,693	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 287,275</u>	<u>\$ 287,275</u>	<u>\$ 267,982</u>	<u>\$ (19,293)</u>

June 16, 2014

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, 2014. 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 18, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *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 2014. 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 June 16, 2014.

#### *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**

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statement of fiduciary assets and liabilities - agency funds, and the Downtown Development budgetary comparison schedule, which accompany the financial statements but are not RSI. 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, 2014, 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:

*Criteria:* All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

*Condition:* We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Correct the balance of an investment account for an unrecorded cash transfer
- Accrue various receivables
- Correct taxes receivable and tax revenue
- Eliminate bond issuance costs with the implementation of GASB #65
- Accrue additional payables
- Correct accrued payroll
- Reclassify principal payments on debt and record cash with fiscal agent
- Recognize total revenues and expenses associated with code inspection activities
- Correct the liability balances of the Tax Fund
- Convert the fund-based data necessary to prepare the government-wide financial statements.



As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. 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 GAAP, 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.

*Cause:* This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

*Effect:* The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

*Auditor's Recommendation:* We recommend that management evaluate the cost versus benefit of improving its internal controls over the preparation of its financial statements in accordance with GAAP and determine if it is in the best interest of the Township to outsource this task to its external auditor.

*Management Response:* Management has made an evaluation of the respective costs and benefits of improving its internal controls over the preparation of its financial statements in accordance with GAAP and determined that it is in the best interest of the Township to outsource this task to the external auditor. Management will review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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.

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.

*Sigfried Crandall P.C.*