

Township of Ada
Kent County, Michigan
FINANCIAL STATEMENTS
Year ended March 31, 2012

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	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 - 17
Statement of net assets - proprietary funds	18
Statement of revenues, expenses, and changes in net assets - proprietary funds	19
Statement of cash flows - proprietary funds	20 - 21
Statement of fiduciary net assets - agency funds	22
Notes to financial statements	23 - 34
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	35 - 36
Public Safety Fund	37
Trails Fund	38
Parks and Land Preservation Fund	39
Parks and Recreation Fund	40
SUPPLEMENTARY INFORMATION	
Combining balance sheet - agency funds	41
Statement of revenues, expenditures, and changes in fund balances - budget and actual - Downtown Development Authority	42

INDEPENDENT AUDITORS' 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, 2012, which collectively comprise the Township of Ada, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Ada, Michigan's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the financial statements, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

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 presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information 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.

Sigfried Crandall P.C.

August 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Ada
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, 2012. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$614,530 (2.4 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$843,208, while the net assets of the business-type activities decreased by \$228,678.
- Of the \$26,220,494 total net assets reported, \$4,016,711 (15 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 \$1,893,269, which represents 88 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

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

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

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

A comparative analysis of the basic financial statements for 2012 and 2011 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 Assets 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 assets and how they have changed. Net assets (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 assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

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

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

Fund financial statements

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

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

The Township has three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- **Proprietary funds.** Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. 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 assets. Total net assets at the end of the fiscal year were \$26,220,494. Of this total, \$17,936,767 is invested in capital assets and \$4,267,016 is restricted for various purposes. Consequently, unrestricted net assets were \$4,016,711, or 15 percent of the total.

Condensed financial information
Net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 6,398,269	\$ 5,873,401	\$ 2,821,908	\$ 2,308,805	\$ 9,220,177	\$ 8,182,206
Capital assets	<u>11,436,875</u>	<u>10,910,586</u>	<u>13,189,892</u>	<u>11,120,017</u>	<u>24,626,767</u>	<u>22,030,603</u>
Total assets	<u>17,835,144</u>	<u>16,783,987</u>	<u>16,011,800</u>	<u>13,428,822</u>	<u>33,846,944</u>	<u>30,212,809</u>
Current and other liabilities	415,758	282,409	520,692	324,436	936,450	606,845
Long-term debt outstanding	<u>4,074,600</u>	<u>4,000,000</u>	<u>2,615,400</u>	-	<u>6,690,000</u>	<u>4,000,000</u>
Total liabilities	<u>4,490,358</u>	<u>4,282,409</u>	<u>3,136,092</u>	<u>324,436</u>	<u>7,626,450</u>	<u>4,606,845</u>
Net assets:						
Invested in capital assets, net of related debt	7,362,275	6,910,586	10,574,492	11,120,017	17,936,767	18,030,603
Restricted	3,935,888	3,621,512	331,128	-	4,267,016	3,621,512
Unrestricted	<u>2,046,623</u>	<u>1,969,480</u>	<u>1,970,088</u>	<u>1,984,369</u>	<u>4,016,711</u>	<u>3,953,849</u>
Total net assets	<u>\$ 13,344,786</u>	<u>\$ 12,501,578</u>	<u>\$ 12,875,708</u>	<u>\$ 13,104,386</u>	<u>\$ 26,220,494</u>	<u>\$ 25,605,964</u>

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues for 2012 were \$7,835,365. Charges for services account for more than 49 percent of the Township's revenues, while property taxes account for nearly 35 percent of the revenues. State shared revenue accounts for about 14 percent of the Township's revenues.

The total costs of the Township's programs for 2012, covering a wide range of services, totaled \$7,220,835. Nearly 50 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 assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program revenues:						
Charges for services	\$ 248,470	\$ 276,066	\$ 3,545,778	\$ 2,789,837	\$ 3,794,248	\$ 3,065,903
Operating grants and contributions	13,834	3,962	-	-	13,834	3,962
Capital grants and contributions	8,761	70,595	-	-	8,761	70,595
General revenues:						
Property taxes	2,698,646	2,757,716	-	-	2,698,646	2,757,716
State shared revenue	1,086,678	649,401	-	-	1,086,678	649,401
Franchise fees	166,697	172,548	-	-	166,697	172,548
Interest on investments	52,092	31,224	14,409	21,592	66,501	52,816
Total revenues	<u>4,275,178</u>	<u>3,961,512</u>	<u>3,560,187</u>	<u>2,811,429</u>	<u>7,835,365</u>	<u>6,772,941</u>
Expenses:						
Legislative	30,753	29,847	-	-	30,753	29,847
General government	1,224,581	1,155,568	-	-	1,224,581	1,155,568
Public safety	950,948	956,765	188,025	180,289	1,138,973	1,137,054
Public works	156,327	132,450	-	-	156,327	132,450
Recreation and culture	739,337	635,247	-	-	739,337	635,247
Community and economic development	161,507	168,334	-	-	161,507	168,334
Interest on long-term debt	168,517	169,295	-	-	168,517	169,295
Sewer	-	-	1,728,176	1,772,718	1,728,176	1,772,718
Water	-	-	1,872,664	1,969,347	1,872,664	1,969,347
Total expenses	<u>3,431,970</u>	<u>3,247,506</u>	<u>3,788,865</u>	<u>3,922,354</u>	<u>7,220,835</u>	<u>7,169,860</u>
Changes in net assets	<u>\$ 843,208</u>	<u>\$ 714,006</u>	<u>\$ (228,678)</u>	<u>\$ (1,110,925)</u>	<u>\$ 614,530</u>	<u>\$ (396,919)</u>

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities increased the Township's net assets by \$843,208 in 2012 compared to a \$714,006 increase in 2011. Total revenues increased by \$313,666, while expenses increased by \$184,464, creating a larger increase in net assets than the prior year.

Total revenues increased by \$313,666, even though tax revenues declined by \$59,070, primarily because state shared revenue increased by \$437,277 as state revenue sharing distributions increased with a significant increase in population over the past decade.

Total expenses increased by \$184,464 (6 percent). The most significant increases were experienced in the general government and recreation and culture functions. General government costs were higher by \$69,013 due to higher facilities costs. Recreation and culture expenses were \$104,090 higher due to increased costs associated with operating the parks and an increase in the depreciation provision related to trail infrastructure put in place in recent years.

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

	<u>Total cost of services</u>	<u>Net cost of services</u>
General government	\$ 1,055,684	\$ 928,167
Public safety	950,948	946,897
Recreation and culture	917,953	857,779
Other	<u>507,385</u>	<u>428,062</u>
Totals	<u>\$ 3,431,970</u>	<u>\$ 3,160,905</u>

The total costs of governmental activities this year was \$3,431,970 compared to \$3,247,506 in the prior year. However, the amount that our taxpayers paid for these activities through general revenues was \$3,160,905. Some of the cost was paid by:

- Those who directly benefited from the programs (\$248,470), or
- Other governments and individuals that subsidized certain programs with grants and contributions (\$22,595).

The Township paid for the \$3,160,905 "public benefit" portion with \$4,004,113 in general revenues, such as property taxes, state shared revenue, and interest income.

Business-type activities. Business-type activities decreased the Township's net assets by \$228,678 in 2012 and \$1,110,925 in the prior year. Net assets have decreased because customer charges are insufficient to cover all operating costs of the utility systems, including depreciation.

The decrease in net assets was much lower in the current year because revenues increased by \$748,758 and expenses decreased by \$133,489. Revenues increased due to a substantial increase in utility billing rates. Expenses decreased due to lower repair and maintenance costs and a reduction in water consumption.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of March 31, 2012, the Township's governmental funds reported combined ending fund balances of \$6,030,589, which represents an increase of \$380,898 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 \$2,030,101, though the unassigned fund balance amounted to 1,913,689. Revenues exceeded expenditures by \$248,591, but the fund also received bond proceeds, in the amount of \$314,600, and transferred \$185,000 to the Trails Fund, which allowed the fund balance to increase by \$269,115.

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 \$1,923,982, an increase of \$29,150, as revenues exceeded expenditures in the current year. The fund balance is utilized 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 \$353,001, an increase of \$75,171. Fund balance increased due to a \$185,000 transfer from the General Fund. The fund's expenditures include trail improvement costs and debt service expenditures.
- The fund balance of the Parks and Land Preservation Fund at the end of the fiscal year was \$1,246,566, a decrease of \$9,137. Capital outlay and other recreation expenditures were higher than current revenues, primarily property taxes.
- The fund balance of the Parks and Recreation Fund at the end of the fiscal year was \$476,939, an increase of \$16,599. Current year revenues were sufficient to cover current year expenditures.

Proprietary funds. The Sewer Fund experienced an operating loss of \$303,970 and net assets decreased by \$319,089. The decrease in net assets is due to the fact that user charges are not set to cover the full cost of providing services, including depreciation of the wastewater infrastructure. Total net assets are \$5,501,069 at year end, of which \$643,033 is unrestricted.

The Water Fund realized operating income of \$46,047 and net assets increased by \$63,834. Net assets increased due to a significant increase in utility billing rates. Total net assets are \$7,164,673 at year end, of which \$1,117,089 is unrestricted.

General Fund budgetary highlights

The Township amended both the revenue and expenditure portions of the General Fund budget to reflect anticipated changes in the nature and extent of revenues and expenditures. Revenues were increased by \$425,993 to reflect a significant increase in state shared revenue. Expenditures were increased by \$51,523, primarily due to a \$29,000 increase in building and grounds costs that were higher than originally anticipated.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Total revenues of the General Fund were \$52,556 more than budgeted as state grant revenues (\$23,185) and licenses and permits (\$23,031) exceeded expectations. Total expenditures were \$196,035 less than the amounts appropriated. Community and economic development expenditures were \$51,586 less than expected, as contractual service costs were lower than anticipated, and public works expenditures were \$65,384 lower than appropriated as road improvement projects came in under budget.

These conditions, along with other financing sources being \$5,720 more than anticipated, resulted in a \$254,311 positive budget variance with a \$269,115 increase in fund balance compared to a budgeted increase of \$14,804.

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, 2012, amounts to \$24,626,767, net of accumulated depreciation. This investment includes a broad range of assets, including land, sewer and water facilities, buildings, and equipment.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Land	\$ 2,788,390	\$ -	\$ 2,788,390
Facilities	-	13,169,347	13,169,347
Buildings and improvements	7,619,587	20,545	7,640,132
Equipment	584,275	-	584,275
Vehicles	<u>444,623</u>	<u>-</u>	<u>444,623</u>
Totals	<u>\$ 11,436,875</u>	<u>\$ 13,189,892</u>	<u>\$ 24,626,767</u>

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

- The Ada Drive force main improvement project, with costs of \$2,021,899, was financed with bond proceeds.
- The Bronson Street improvement project, with costs of \$574,473, was also financed with bond proceeds.
- Shared road costs were incurred at a cost of \$428,669.
- Two properties were purchased for preservation at a cost of \$178,616.
- Improvements at Roselle Park were purchased at a cost of \$110,785.
- A new audio visual system was installed at the Township hall at a cost of \$41,670.

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

Debt

At the end of the fiscal year, the Township had bonds outstanding in the amount of \$6,690,000, which represents a net increase of \$2,690,000. New debt was issued for the Ada Drive forcemain project, in the amount of \$2,325,000, and \$605,000 was issued for the Bronson Street improvement project. Debt was reduced by a \$240,000 principal payment on bonds issued in previous years. All debt is backed by the full faith and credit of the Township.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Other noncurrent liabilities, totaling \$56,180, 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 2013 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Township has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

The Township Board is continuing to monitor the financial condition of the water and sewer funds. In an effort to improve the financial health of the Township's utility systems, the Township Board approved an increase in fees for water and sewer services, that took effect in April 2012, to improve the financial health of the Township's utility systems.

The Township is planning two significant capital projects in the subsequent fiscal year:

- Replacement of the three main lift station pumps, used in the Township's wastewater system, at a cost of \$430,000. The project will be funded by the remaining bond proceeds and unrestricted net assets of the Sewer Fund.
- Improvement of the Township's nonmotorized trail system to connect the "Village Proper" over the new M21 bridge at a cost of \$421,500. The project will be funded by available resources from the Trails and General funds.

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. If you have questions regarding any information provided in this report, or requests for additional financial information should be addressed to:

George Haga, Township Supervisor Phone: (616) 676-9191
Township of Ada
7330 Thornapple River Drive
P.O. Box 370
Ada, Michigan 49301

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

George Haga
Township Supervisor
ghaga@adatownshipmi.com

Susan Burton
Township Clerk
sburton@adatownshipmi.com

Norm Rhoades
Township Treasurer
nrhoades@adatownshipmi.com

BASIC FINANCIAL STATEMENTS

Township of Ada
STATEMENT OF NET ASSETS
March 31, 2012

	<i>Primary government</i>			<i>Component unit</i>
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
ASSETS				
Current assets:				
Cash	\$ 5,275,530	\$ 1,746,773	\$ 7,022,303	\$ 22,850
Investments	784,658	83,854	868,512	-
Receivables	260,779	615,832	876,611	-
Prepaid expenses	38,200	39,030	77,230	-
Inventory	-	5,291	5,291	-
Total current assets	<u>6,359,167</u>	<u>2,490,780</u>	<u>8,849,947</u>	<u>22,850</u>
Noncurrent assets:				
Restricted cash	-	331,128	331,128	-
Bond issuance costs, net of amortization	39,102	-	39,102	-
Capital assets not being depreciated - land	2,788,390	-	2,788,390	-
Capital assets, net of depreciation	<u>8,648,485</u>	<u>13,189,892</u>	<u>21,838,377</u>	<u>-</u>
Total noncurrent assets	<u>11,475,977</u>	<u>13,521,020</u>	<u>24,996,997</u>	<u>-</u>
Total assets	<u>17,835,144</u>	<u>16,011,800</u>	<u>33,846,944</u>	<u>22,850</u>
LIABILITIES				
Current liabilities:				
Payables	359,578	520,692	880,270	324
Bonds payable	<u>278,000</u>	<u>87,000</u>	<u>365,000</u>	<u>-</u>
Total current liabilities	<u>637,578</u>	<u>607,692</u>	<u>1,245,270</u>	<u>324</u>
Noncurrent liabilities:				
Compensated absences	56,180	-	56,180	-
Bonds payable	<u>3,796,600</u>	<u>2,528,400</u>	<u>6,325,000</u>	<u>-</u>
Total noncurrent liabilities	<u>3,852,780</u>	<u>2,528,400</u>	<u>6,381,180</u>	<u>-</u>
Total liabilities	<u>4,490,358</u>	<u>3,136,092</u>	<u>7,626,450</u>	<u>324</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,362,275	10,574,492	17,936,767	-
Restricted for:				
Public safety	1,923,982	-	1,923,982	-
Recreation and culture	1,723,505	-	1,723,505	-
Debt service	288,401	-	288,401	-
Capital improvements	-	331,128	331,128	-
Unrestricted	<u>2,046,623</u>	<u>1,970,088</u>	<u>4,016,711</u>	<u>22,526</u>
Total net assets	<u>\$ 13,344,786</u>	<u>\$ 12,875,708</u>	<u>\$ 26,220,494</u>	<u>\$ 22,526</u>

See notes to financial statements

Township of Ada
STATEMENT OF ACTIVITIES
Year ended March 31, 2012

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u> <u>Capital grants and contributions</u>
Governmental activities:			
Legislative	\$ 30,753	\$ -	\$ -
General government	1,224,581	127,517	-
Public safety	950,948	-	4,051
Public works	156,327	61,032	9,783
Recreation and culture	739,337	51,413	-
Community and economic development	161,507	8,508	-
Interest on long-term debt	168,517	-	-
Total governmental activities	<u>3,431,970</u>	<u>248,470</u>	<u>13,834</u> <u>8,761</u>
Business-type activities:			
Sewer	1,728,176	1,400,804	-
Water	1,872,664	1,931,514	-
Inspections	188,025	213,460	-
Total business-type activities	<u>3,788,865</u>	<u>3,545,778</u>	<u>-</u> <u>-</u>
Total primary government	<u>\$ 7,220,835</u>	<u>\$ 3,794,248</u>	<u>\$ 13,834</u> <u>\$ 8,761</u>
Component unit:			
Downtown Development Authority	<u>\$ 15,405</u>	<u>\$ 15,818</u>	<u>\$ -</u> <u>\$ -</u>

General revenues:
Property taxes
State shared revenue
Franchise fees
Interest income

Total general revenues

Changes in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<i>Primary government</i>			<i>Component unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (30,753)		\$ (30,753)	
(1,097,064)		(1,097,064)	
(946,897)		(946,897)	
(85,512)		(85,512)	
(679,163)		(679,163)	
(152,999)		(152,999)	
<u>(168,517)</u>		<u>(168,517)</u>	
<u>(3,160,905)</u>		<u>(3,160,905)</u>	
	\$ (327,372)	(327,372)	
	58,850	58,850	
	<u>25,435</u>	<u>25,435</u>	
	<u>(243,087)</u>	<u>(243,087)</u>	
<u>(3,160,905)</u>	<u>(243,087)</u>	<u>(3,403,992)</u>	
			\$ <u>413</u>
2,698,646	-	2,698,646	947
1,086,678	-	1,086,678	-
166,697	-	166,697	-
<u>52,092</u>	<u>14,409</u>	<u>66,501</u>	<u>154</u>
<u>4,004,113</u>	<u>14,409</u>	<u>4,018,522</u>	<u>1,101</u>
843,208	(228,678)	614,530	1,514
<u>12,501,578</u>	<u>13,104,386</u>	<u>25,605,964</u>	<u>21,012</u>
<u>\$ 13,344,786</u>	<u>\$ 12,875,708</u>	<u>\$ 26,220,494</u>	<u>\$ 22,526</u>

See notes to financial statements

Township of Ada
BALANCE SHEET - governmental funds
 March 31, 2012

	<u>General</u>	<u>Public Safety</u>	<u>Trails</u>
ASSETS			
Cash	\$ 1,816,265	\$ 1,393,976	\$ 367,781
Investments	122,409	633,765	-
Receivables	<u>212,427</u>	<u>22,642</u>	<u>11,167</u>
Total assets	<u>\$ 2,151,101</u>	<u>\$ 2,050,383</u>	<u>\$ 378,948</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	<u>\$ 121,000</u>	<u>\$ 126,401</u>	<u>\$ 25,947</u>
Fund balances:			
Restricted for:			
Public safety	-	1,290,217	-
Recreation and culture	-	-	353,001
Arboretum	-	-	-
Assigned for:			
Cemetery	116,412	-	-
Capital purchases	-	633,765	-
Unassigned	<u>1,913,689</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,030,101</u>	<u>1,923,982</u>	<u>353,001</u>
Total liabilities and fund balances	<u>\$ 2,151,101</u>	<u>\$ 2,050,383</u>	<u>\$ 378,948</u>

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

Total fund balance - total governmental funds

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

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

Expense deferrals/accruals:

 Prepaid expenses
 Bond issuance costs
 Compensated absences
 Interest payable

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u><i>Parks and Land Preservation</i></u>	<u><i>Parks and Recreation</i></u>	<u><i>Total governmental funds</i></u>
\$ 1,241,352	\$ 456,156	\$ 5,275,530
-	28,484	784,658
<u>5,214</u>	<u>9,329</u>	<u>260,779</u>
<u>\$ 1,246,566</u>	<u>\$ 493,969</u>	<u>\$ 6,320,967</u>
\$ -	\$ 17,030	\$ 290,378
-	-	1,290,217
1,246,566	447,159	2,046,726
-	29,780	29,780
-	-	116,412
-	-	633,765
<u>-</u>	<u>-</u>	<u>1,913,689</u>
<u>1,246,566</u>	<u>476,939</u>	<u>6,030,589</u>
<u>\$ 1,246,566</u>	<u>\$ 493,969</u>	<u>\$ 6,320,967</u>
		\$ 6,030,589
		11,436,875
		38,200
		39,102
		(56,180)
		(69,200)
		<u>(4,074,600)</u>
		<u>\$ 13,344,786</u>

See notes to financial statements

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

Year ended March 31, 2012

	<u>General</u>	<u>Public Safety</u>	<u>Trails</u>
REVENUES			
Property taxes	\$ 835,120	\$ 879,032	\$ 439,657
Licenses and permits	180,531	-	-
State grants	1,086,678	-	-
Charges for services	26,558	-	-
Interest and rentals	91,873	10,672	10
Other	69,237	2	-
	<u>2,289,997</u>	<u>889,706</u>	<u>439,667</u>
Total revenues			
EXPENDITURES			
Legislative	30,753	-	-
General government	1,213,509	-	-
Public safety	-	841,626	-
Public works	671,405	-	-
Recreation and culture	-	-	21,553
Community and economic development	161,343	-	-
Debt service:			
Principal	-	-	240,000
Interest and fees	3,743	-	160,335
Bond issuance costs	9,719	-	-
Capital outlay	60,010	18,930	127,608
	<u>2,150,482</u>	<u>860,556</u>	<u>549,496</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>139,515</u>	<u>29,150</u>	<u>(109,829)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	314,600	-	-
Transfers in	-	-	185,000
Transfers out	(185,000)	-	-
	<u>129,600</u>	<u>-</u>	<u>185,000</u>
Net other financing sources			
NET CHANGES IN FUND BALANCES	269,115	29,150	75,171
FUND BALANCES - BEGINNING	<u>1,760,986</u>	<u>1,894,832</u>	<u>277,830</u>
FUND BALANCES - ENDING	<u>\$ 2,030,101</u>	<u>\$ 1,923,982</u>	<u>\$ 353,001</u>

<u><i>Parks and Land Preservation</i></u>	<u><i>Parks and Recreation</i></u>	<u><i>Total governmental funds</i></u>
\$ 202,768	\$ 362,924	\$ 2,719,501
-	-	180,531
-	359	1,087,037
-	51,413	77,971
4,995	24,348	131,898
-	9,001	78,240
<u>207,763</u>	<u>448,045</u>	<u>4,275,178</u>
-	-	30,753
-	-	1,213,509
-	-	841,626
-	-	671,405
37,034	306,259	364,846
-	-	161,343
-	-	240,000
-	-	164,078
-	-	9,719
<u>179,866</u>	<u>125,187</u>	<u>511,601</u>
<u>216,900</u>	<u>431,446</u>	<u>4,208,880</u>
<u>(9,137)</u>	<u>16,599</u>	<u>66,298</u>
-	-	314,600
-	-	185,000
-	-	(185,000)
<u>-</u>	<u>-</u>	<u>314,600</u>
(9,137)	16,599	380,898
<u>1,255,703</u>	<u>460,340</u>	<u>5,649,691</u>
<u>\$ 1,246,566</u>	<u>\$ 476,939</u>	<u>\$ 6,030,589</u>

See notes to financial statements

Township of Ada

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

Year ended March 31, 2012

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 (page 16) \$ 380,898

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

Capital assets:

Assets acquired	1,095,044
Provision for depreciation	(568,755)

Long-term debt:

Principal payment on long-term debt	240,000
Bond proceeds	(314,600)

Changes in other assets/liabilities:

Net increase in deferred charges	5,780
Net increase in prepaid expenses	5,900
Net increase in compensated absences	(559)
Net increase in interest payable	<u>(500)</u>

Change in net assets of *governmental activities* \$ 843,208

Township of Ada
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 628,562	\$ 908,045	\$ 210,166	\$ 1,746,773
Investments	-	83,854	-	83,854
Receivables	298,874	316,958	-	615,832
Unamortized issuance costs	29,918	9,112	-	39,030
Inventory	-	5,291	-	5,291
Total current assets	<u>957,354</u>	<u>1,323,260</u>	<u>210,166</u>	<u>2,490,780</u>
Noncurrent assets:				
Restricted cash	331,128	-	-	331,128
Capital assets, net of accumulated depreciation	<u>6,851,908</u>	<u>6,337,984</u>	<u>-</u>	<u>13,189,892</u>
Total noncurrent assets	<u>7,183,036</u>	<u>6,337,984</u>	<u>-</u>	<u>13,521,020</u>
Total assets	<u>8,140,390</u>	<u>7,661,244</u>	<u>210,166</u>	<u>16,011,800</u>
LIABILITIES				
Current liabilities:				
Payables	314,321	206,171	200	520,692
Bond payable	<u>75,000</u>	<u>12,000</u>	<u>-</u>	<u>87,000</u>
Total current liabilities	389,321	218,171	200	607,692
Noncurrent liabilities - bonds payable	<u>2,250,000</u>	<u>278,400</u>	<u>-</u>	<u>2,528,400</u>
Total liabilities	<u>2,639,321</u>	<u>496,571</u>	<u>200</u>	<u>3,136,092</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,526,908	6,047,584	-	10,574,492
Restricted for capital improvements	331,128	-	-	331,128
Unrestricted	<u>643,033</u>	<u>1,117,089</u>	<u>209,966</u>	<u>1,970,088</u>
Total net assets	<u>\$ 5,501,069</u>	<u>\$ 7,164,673</u>	<u>\$ 209,966</u>	<u>\$ 12,875,708</u>

See notes to financial statements

Township of Ada
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds*
Year ended March 31, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 1,319,880	\$ 1,742,469	\$ -	\$ 3,062,349
Inspection fees	-	-	213,460	213,460
Other	-	78,150	-	78,150
	<u>1,319,880</u>	<u>1,820,619</u>	<u>213,460</u>	<u>3,353,959</u>
Total operating revenues				
OPERATING EXPENSES				
Personnel costs	60,527	78,480	17,257	156,264
Supplies	4,301	9,332	-	13,633
Contracted services:				
Sewage treatment	1,209,247	-	-	1,209,247
Water purchases	-	1,264,960	-	1,264,960
Inspections	-	-	170,768	170,768
Other	67,181	147,492	-	214,673
Utilities	42,491	23,157	-	65,648
Repairs and maintenance	59,124	56,121	-	115,245
Depreciation	140,910	153,894	-	294,804
Miscellaneous	40,069	41,136	-	81,205
	<u>1,623,850</u>	<u>1,774,572</u>	<u>188,025</u>	<u>3,586,447</u>
Total operating expenses				
OPERATING INCOME (LOSS)	<u>(303,970)</u>	<u>46,047</u>	<u>25,435</u>	<u>(232,488)</u>
NONOPERATING REVENUES (EXPENSES)				
Connection fees	80,924	94,484	-	175,408
Connection fees	(80,924)	(94,484)	-	(175,408)
Tap and other fees	-	16,411	-	16,411
Interest revenue	8,283	4,984	1,142	14,409
Interest expense	(66,130)	(8,276)	-	(74,406)
Capitalized interest	42,728	4,668	-	47,396
	<u>(15,119)</u>	<u>17,787</u>	<u>1,142</u>	<u>3,810</u>
Net nonoperating revenues (expenses)				
CHANGES IN NET ASSETS	<u>(319,089)</u>	<u>63,834</u>	<u>26,577</u>	<u>(228,678)</u>
NET ASSETS - BEGINNING	<u>5,820,158</u>	<u>7,100,839</u>	<u>183,389</u>	<u>13,104,386</u>
NET ASSETS - ENDING	<u>\$ 5,501,069</u>	<u>\$ 7,164,673</u>	<u>\$ 209,966</u>	<u>\$ 12,875,708</u>

See notes to financial statements

Township of Ada
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,276,758	\$ 1,751,737	\$ 213,460	\$ 3,241,955
Payments to vendors and suppliers	(1,364,265)	(1,504,652)	(187,747)	(3,056,664)
Payments to employees	(36,400)	(47,217)	-	(83,617)
Net cash provided by (used in) operating activities	(123,907)	199,868	25,713	101,674
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	80,924	94,484	-	175,408
Connection fees paid to City of Grand Rapids	(78,978)	(87,898)	-	(166,876)
Tap and other fees	-	16,411	-	16,411
Acquisition of capital assets	(1,989,577)	(290,706)	-	(2,280,283)
Bond proceeds	2,325,000	290,400	-	2,615,400
Bond issuance costs	(31,580)	(9,719)	-	(41,299)
Interest payments on capital debt	(64,468)	(7,669)	-	(72,137)
Net cash provided by capital and related financing activities	241,321	5,303	-	246,624
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in investment	-	(567)	-	(567)
Interest received	8,283	4,984	1,142	14,409
Net cash provided by investing activities	8,283	4,417	1,142	13,842
NET INCREASE IN CASH	125,697	209,588	26,855	362,140
CASH - BEGINNING	833,993	698,457	183,311	1,715,761
CASH - ENDING (including \$331,128 in restricted cash in the Sewer Fund)	<u>\$ 959,690</u>	<u>\$ 908,045</u>	<u>\$ 210,166</u>	<u>\$ 2,077,901</u>

See notes to financial statements

Township of Ada

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended March 31, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (303,970)	\$ 46,047	\$ 25,435	\$ (232,488)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	140,910	153,894	-	294,804
(Increase) decrease in:				
Receivables	(43,122)	(68,882)	-	(112,004)
Prepaid expenses	-	-	638	638
Increase (decrease) in payables	<u>82,275</u>	<u>68,809</u>	<u>(360)</u>	<u>150,724</u>
Net cash provided by (used in) operating activities	<u>\$ (123,907)</u>	<u>\$ 199,868</u>	<u>\$ 25,713</u>	<u>\$ 101,674</u>
Noncash capital and related financing activities:				
Acquisition of capital assets	(2,057,305)	(307,374)	-	(2,364,679)
Less increase in payables	25,000	12,000	-	37,000
Less capitalized interest	<u>42,728</u>	<u>4,668</u>	<u>-</u>	<u>47,396</u>
Cash used	<u>\$ (1,989,577)</u>	<u>\$ (290,706)</u>	<u>\$ -</u>	<u>\$ (2,280,283)</u>

See notes to financial statements

Township of Ada
STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*
March 31, 2012

ASSETS

Cash	\$ 64,285
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LIABILITIES

Due to other governmental units	\$ 45,524
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Escrow deposits	<u>18,761</u>
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Total liabilities	<u>\$ 64,285</u>
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See notes to financial statements

Township of Ada
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting entity:

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

Discretely presented component unit - Ada Downtown Development Authority:

The Township exercises oversight responsibility over the Authority as the component unit's governing body is appointed by the Township Board 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 assets 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.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers 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.

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 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 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 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 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 Agency Fund and the Tax Collection 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.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary funds financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

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.

Assets, liabilities, and net assets 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.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, sidewalks, 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.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, liabilities, and net assets or equity (continued):

Capital assets (continued) - 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.

Fund equity - Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board has delegated the authority to assign fund balance to the supervisor. Unassigned fund balance is the amount that does not fall into any other category above.

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 the restricted fund balance first, followed by assigned fund balance and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and the Township may assess penalties and interest. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

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 variance:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety	Public safety	\$ 716,957	\$ 841,626	\$ (124,669)

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS:

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

	<i>Governmental funds</i>	<i>Proprietary funds</i>	<i>Agency funds</i>	<i>Component unit</i>	<i>Totals</i>
Per financial statements:					
Cash	\$ 5,275,530	\$ 1,746,773	\$ 64,285	\$ 22,850	\$ 7,109,438
Restricted cash	-	331,128	-	-	331,128
Investments	<u>784,658</u>	<u>83,854</u>	<u>-</u>	<u>-</u>	<u>868,512</u>
Totals	<u>\$ 6,060,188</u>	<u>\$ 2,161,755</u>	<u>\$ 64,285</u>	<u>\$ 22,850</u>	<u>\$ 8,309,078</u>
Composition:					
Cash on hand	\$ 200	\$ -	\$ -	\$ -	\$ 200
Deposits	5,275,330	2,077,901	64,285	22,850	7,440,366
Investments	<u>784,658</u>	<u>83,854</u>	<u>-</u>	<u>-</u>	<u>868,512</u>
Totals	<u>\$ 6,060,188</u>	<u>\$ 2,161,755</u>	<u>\$ 64,285</u>	<u>\$ 22,850</u>	<u>\$ 8,309,078</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, 2012, \$6,730,275 of the Township's bank balances of \$7,536,503 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.

At March 31, 2012, the Township's investments consisted of holdings, in the amount of \$868,512, in the Kent County Investment Pool, a non-risk categorized, qualifying investment pool.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of March 31, 2012, for the Township's funds were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Governmental funds:				
General	\$ 21,806	\$ 39,527	\$ 151,094	\$ 212,427
Public Safety	22,642	-	-	22,642
Trails	11,167	-	-	11,167
Parks and Land Preservation	5,214	-	-	5,214
Parks and Recreation	<u>9,329</u>	<u>-</u>	<u>-</u>	<u>9,329</u>
Total governmental funds	<u>\$ 70,158</u>	<u>\$ 39,527</u>	<u>\$ 151,094</u>	<u>\$ 260,779</u>
Proprietary funds:				
Sewer	\$ -	\$ 298,874	\$ -	\$ 298,874
Water	<u>-</u>	<u>316,958</u>	<u>-</u>	<u>316,958</u>
Total proprietary funds	<u>\$ -</u>	<u>\$ 615,832</u>	<u>\$ -</u>	<u>\$ 615,832</u>

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

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2012, 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	\$ 2,609,774	\$ 178,616	\$ -	\$ 2,788,390
Capital assets being depreciated:				
Buildings and improvements	8,787,146	739,783	-	9,526,929
Furniture, fixtures, and equipment	1,413,655	176,645	-	1,590,300
Vehicles	1,220,505	-	-	1,220,505
Subtotal	11,421,306	916,428	-	12,337,734
Less accumulated depreciation for:				
Buildings and improvements	(1,476,855)	(430,487)	-	(1,907,342)
Furniture, fixtures, and equipment	(930,776)	(75,250)	-	(1,006,026)
Vehicles	(712,863)	(63,018)	-	(775,881)
Subtotal	(3,120,494)	(568,755)	-	(3,689,249)
Total capital assets being depreciated, net	8,300,812	347,673	-	8,648,485
Governmental activities capital assets, net	\$ 10,910,586	\$ 526,289	\$ -	\$ 11,436,875
Business-type activities:				
Capital assets being depreciated:				
Facilities	\$ 16,501,763	\$ 2,364,679	\$ -	\$ 18,866,442
Buildings	41,090	-	-	41,090
Equipment	46,327	-	-	46,327
Subtotal	16,589,180	2,364,679	-	18,953,859
Less accumulated depreciation for:				
Facilities	(5,394,105)	(293,436)	-	(5,687,541)
Buildings	(28,731)	(1,368)	-	(30,099)
Equipment	(46,327)	-	-	(46,327)
Subtotal	(5,469,163)	(294,804)	-	(5,763,967)
Business-type activities capital assets, net	\$ 11,120,017	\$ 2,069,875	\$ -	\$ 13,189,892

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

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

Governmental activities:	
General government	\$ 35,161
Public safety	112,932
Public works	58,178
Recreation and culture	<u>362,484</u>
Total governmental activities	<u>\$ 568,755</u>

NOTE 6 - PAYABLES:

Payables as of March 31, 2012, 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	\$ 100,690	\$ 20,310	\$ -	\$ 121,000
Public Safety	116,151	10,250	-	126,401
Trails	25,947	-	-	25,947
Parks and Recreation	<u>14,099</u>	<u>2,931</u>	<u>-</u>	<u>17,030</u>
Total governmental funds	<u>\$ 256,887</u>	<u>\$ 33,491</u>	<u>\$ -</u>	<u>\$ 290,378</u>
Proprietary funds:				
Sewer	\$ 278,189	\$ 710	\$ 35,422	\$ 314,321
Water	201,157	800	4,214	206,171
Nonmajor	<u>-</u>	<u>200</u>	<u>-</u>	<u>200</u>
Total proprietary funds	<u>\$ 479,346</u>	<u>\$ 1,710</u>	<u>\$ 39,636</u>	<u>\$ 520,692</u>
Component unit:				
Downtown Development Authority	<u>\$ 324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES:

At March 31, 2012, 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	\$ 3,760,000
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\$314,600 2011 Capital improvement bonds - payable in annual installments of \$13,000 to \$26,000, plus interest at 1.50% to 4.50%; final payment due May 2028	<u>314,600</u>
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Total bonds	4,074,600
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Accrued compensated absences	<u>56,180</u>
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Total governmental activities noncurrent liabilities	<u>\$ 4,130,780</u>
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Business-type activities:

Bonds:

\$290,400 2011 Capital improvement bonds - payable in annual installments ranging from \$12,000 to \$24,000, plus interest at 1.50% to 4.50%; final payment due May 2028	\$ 290,400
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\$2,325,000 2011 Capital improvement bonds - payable in annual installments ranging from \$75,000 to \$170,000, plus interest at 1.70% to 4.65%; final payment due May 2031	<u>2,325,000</u>
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Total business-type activities noncurrent liabilities	<u>\$ 2,615,400</u>
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Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES (Continued):

Noncurrent liability activity for the year ended March 31, 2012, 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	\$ 4,000,000	\$ -	\$ (240,000)	\$ 3,760,000	\$ 265,000
2011 CIP Bonds Series A (52%)	-	314,600	-	314,600	13,000
Total bonds	4,000,000	314,600	(240,000)	4,074,600	278,000
Compensated absences	55,621	63,270	(62,711)	56,180	-
Total governmental activities	<u>\$ 4,055,621</u>	<u>\$ 377,870</u>	<u>\$ (302,711)</u>	<u>\$ 4,130,780</u>	<u>\$ 278,000</u>
Business-type activities:					
Bonds:					
2011 CIP Bonds Series A (48%)	\$ -	\$ 290,400	\$ -	\$ 290,400	\$ 12,000
2011 CIP Bonds Series B	-	2,325,000	-	2,325,000	75,000
Total business-type activities	<u>\$ -</u>	<u>\$ 2,615,400</u>	<u>\$ -</u>	<u>\$ 2,615,400</u>	<u>\$ 87,000</u>

At March 31, 2012, 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>
2012	\$ 278,000	\$ 160,515	\$ 87,000	\$ 94,397
2013	303,000	148,933	87,000	92,896
2014	328,000	136,309	92,000	91,257
2015	353,000	122,628	97,000	89,392
2016	380,600	107,845	104,400	87,158
2017 - 2021	2,270,800	278,776	579,200	389,166
2022 - 2026	109,200	23,659	730,800	270,429
2027 - 2031	52,000	2,334	838,000	95,843
Totals	<u>\$ 4,074,600</u>	<u>\$ 980,999</u>	<u>\$ 2,615,400</u>	<u>\$ 1,210,538</u>

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

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND TRANSFER:

The interfund transfer for the year ended March 31, 2012, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Trails	\$ 185,000	General	\$ 185,000

The transfer to the Trails Fund represents unrestricted revenues, collected in the General Fund, that were used to support trail construction expenditures recorded in the Trails Fund.

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 \$85,451 and \$3,352, respectively, for the year ended March 31, 2012. 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 - ECONOMIC DEPENDENCY:

For the fiscal year ended March 31, 2012, the Township received approximately 19 percent of its property tax revenue and 32 percent of its sewer and water utility revenue from one industrial property owner.

NOTE 11 - 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.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - CONTINGENT LIABILITY:

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 13 - CONSTRUCTION COMMITMENT:

At March 31, 2012, the Township had authorized a contract, in the amount of \$99,350, to repair a sewer force main on Spaulding Avenue. No contract costs had been incurred as of March 31, 2012. The project is being funded by the issuance of capital improvement bonds.

NOTE 14 - ADOPTION OF NEW ACCOUNTING POLICY:

Effective April 1, 2011, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The adoption of this standard had no effect on the total fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ada
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 832,415	\$ 832,415	\$ 835,120	\$ 2,705
Licenses and permits	157,500	157,500	180,531	23,031
State grants	643,000	1,063,493	1,086,678	23,185
Charges for services	23,050	24,050	26,558	2,508
Interest and rentals	89,530	89,530	91,873	2,343
Other:				
Special assessments	62,953	62,953	61,032	(1,921)
Miscellaneous	3,000	7,500	8,205	705
Total revenues	<u>1,811,448</u>	<u>2,237,441</u>	<u>2,289,997</u>	<u>52,556</u>
EXPENDITURES				
Legislative	<u>34,200</u>	<u>34,200</u>	<u>30,753</u>	<u>3,447</u>
General government:				
Supervisor	51,594	51,594	52,071	(477)
Elections	19,300	19,300	17,315	1,985
Assessor	173,209	173,209	189,331	(16,122)
Clerk	156,861	156,861	152,606	4,255
Board of review	2,065	2,065	1,155	910
Treasurer	156,516	156,516	153,061	3,455
Building and grounds	142,336	171,336	170,711	625
Cemeteries	30,700	30,700	28,110	2,590
General administration	475,345	480,125	449,149	30,976
Total general government	<u>1,207,926</u>	<u>1,241,706</u>	<u>1,213,509</u>	<u>28,197</u>
Public works:				
Road maintenance and improvements	674,705	674,705	601,228	73,477
Street lighting	62,084	62,084	70,177	(8,093)
Total public works	<u>736,789</u>	<u>736,789</u>	<u>671,405</u>	<u>65,384</u>
Community and economic development	<u>212,929</u>	<u>212,929</u>	<u>161,343</u>	<u>51,586</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Debt service - interest	\$ -	\$ 3,743	\$ 3,743	\$ -
Debt service - bond issuance costs	-	10,000	9,719	281
Capital outlay	103,150	107,150	60,010	47,140
Total expenditures	<u>2,294,994</u>	<u>2,346,517</u>	<u>2,150,482</u>	<u>196,035</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(483,546)</u>	<u>(109,076)</u>	<u>139,515</u>	<u>248,591</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	280,705	313,485	314,600	1,115
Transfers out	<u>(189,605)</u>	<u>(189,605)</u>	<u>(185,000)</u>	<u>4,605</u>
Net other financing sources	<u>91,100</u>	<u>123,880</u>	<u>129,600</u>	<u>5,720</u>
NET CHANGES IN FUND BALANCES	<u>(392,446)</u>	<u>14,804</u>	<u>269,115</u>	<u>254,311</u>
FUND BALANCES - BEGINNING	<u>1,760,986</u>	<u>1,760,986</u>	<u>1,760,986</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,368,540</u>	<u>\$ 1,775,790</u>	<u>\$ 2,030,101</u>	<u>\$ 254,311</u>

Township of Ada
BUDGETARY COMPARISON SCHEDULE - Public Safety Fund
Year ended March 31, 2012

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 881,727	\$ 881,727	\$ 879,032	\$ (2,695)
Interest	6,500	6,500	10,672	4,172
Other	1,000	1,000	2	(998)
Total revenues	<u>889,227</u>	<u>889,227</u>	<u>889,706</u>	<u>479</u>
EXPENDITURES				
Public safety:				
Police protection	307,569	307,569	331,497	(23,928)
Fire protection	<u>461,138</u>	<u>409,388</u>	<u>510,129</u>	<u>(100,741)</u>
Total public safety	768,707	716,957	841,626	(124,669)
Capital outlay	<u>86,100</u>	<u>86,100</u>	<u>18,930</u>	<u>67,170</u>
Total expenditures	<u>854,807</u>	<u>803,057</u>	<u>860,556</u>	<u>(57,499)</u>
NET CHANGES IN FUND BALANCES	34,420	86,170	29,150	(57,020)
FUND BALANCES - BEGINNING	<u>1,894,832</u>	<u>1,894,832</u>	<u>1,894,832</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,929,252</u>	<u>\$ 1,981,002</u>	<u>\$ 1,923,982</u>	<u>\$ (57,020)</u>

Township of Ada
BUDGETARY COMPARISON SCHEDULE - Trails Fund
Year ended March 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 439,410	\$ 439,410	\$ 439,657	\$ 247
Interest and rentals	250	250	10	(240)
Total revenues	<u>439,660</u>	<u>439,660</u>	<u>439,667</u>	<u>7</u>
EXPENDITURES				
Recreation and culture	16,769	24,893	21,553	3,340
Debt service:				
Principal	240,000	240,000	240,000	-
Interest and fees	160,338	160,338	160,335	3
Capital outlay	<u>157,450</u>	<u>157,450</u>	<u>127,608</u>	<u>29,842</u>
Total expenditures	<u>574,557</u>	<u>582,681</u>	<u>549,496</u>	<u>33,185</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(134,897)</u>	<u>(143,021)</u>	<u>(109,829)</u>	<u>33,192</u>
OTHER FINANCING SOURCES				
Transfers in	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>50,103</u>	<u>41,979</u>	<u>75,171</u>	<u>33,192</u>
FUND BALANCES - BEGINNING	<u>277,830</u>	<u>277,830</u>	<u>277,830</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 327,933</u>	<u>\$ 319,809</u>	<u>\$ 353,001</u>	<u>\$ 33,192</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks and Land Preservation Fund

Year ended March 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 350,138	\$ 350,138	\$ 202,768	\$ (147,370)
Interest and rentals	3,500	3,500	4,995	1,495
Total revenues	<u>353,638</u>	<u>353,638</u>	<u>207,763</u>	<u>(145,875)</u>
EXPENDITURES				
Recreation and culture	24,882	36,104	37,034	(930)
Capital outlay	<u>209,000</u>	<u>209,000</u>	<u>179,866</u>	<u>29,134</u>
Total expenditures	<u>233,882</u>	<u>245,104</u>	<u>216,900</u>	<u>28,204</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	119,756	108,534	(9,137)	(117,671)
OTHER FINANCING USES				
Transfers out	<u>(146,638)</u>	<u>(146,638)</u>	<u>-</u>	<u>146,638</u>
NET CHANGES IN FUND BALANCES	(26,882)	(38,104)	(9,137)	28,967
FUND BALANCES - BEGINNING	<u>1,255,703</u>	<u>1,255,703</u>	<u>1,255,703</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,228,821</u>	<u>\$ 1,217,599</u>	<u>\$ 1,246,566</u>	<u>\$ 28,967</u>

Township of Ada
BUDGETARY COMPARISON SCHEDULE - Parks and Recreation Fund
Year ended March 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 216,628	\$ 216,628	\$ 362,924	\$ 146,296
State grant	-	-	359	359
Charges for services	54,500	54,500	51,413	(3,087)
Interest and rentals	22,800	22,800	24,348	1,548
Other	1,200	1,200	9,001	7,801
	<u>295,128</u>	<u>295,128</u>	<u>448,045</u>	<u>152,917</u>
EXPENDITURES				
Recreation and culture	330,151	339,170	306,259	32,911
Capital outlay	186,900	186,900	125,187	61,713
	<u>517,051</u>	<u>526,070</u>	<u>431,446</u>	<u>94,624</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(221,923)	(230,942)	16,599	247,541
OTHER FINANCING SOURCES				
Transfers in	146,638	146,638	-	(146,638)
NET CHANGES IN FUND BALANCES	(75,285)	(84,304)	16,599	100,903
FUND BALANCES - BEGINNING	460,340	460,340	460,340	-
FUND BALANCES - ENDING	<u>\$ 385,055</u>	<u>\$ 376,036</u>	<u>\$ 476,939</u>	<u>\$ 100,903</u>

SUPPLEMENTARY INFORMATION

Township of Ada
COMBINING BALANCE SHEET - agency funds
March 31, 2012

	<u><i>Tax Collection</i></u>	<u><i>Agency</i></u>	<u><i>Totals</i></u>
ASSETS			
Cash	<u>\$ 45,524</u>	<u>\$ 18,761</u>	<u>\$ 64,285</u>
LIABILITIES			
Due to other governmental units	<u>\$ 45,524</u>	<u>\$ -</u>	<u>\$ 45,524</u>
Escrow deposits	<u>-</u>	<u>18,761</u>	<u>18,761</u>
Total liabilities	<u>\$ 45,524</u>	<u>\$ 18,761</u>	<u>\$ 64,285</u>

Township of Ada

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - *Downtown Development Authority***

Year ended March 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ -	\$ -	\$ 947	\$ 947
Charges for services	10,705	14,782	15,818	1,036
Interest	100	100	154	54
Other - contributions	<u>7,600</u>	<u>7,600</u>	<u>-</u>	<u>(7,600)</u>
Total revenues	<u>18,405</u>	<u>22,482</u>	<u>16,919</u>	<u>(5,563)</u>
EXPENDITURES				
Community and economic development	24,280	25,180	15,405	9,775
Capital outlay	<u>7,600</u>	<u>7,600</u>	<u>-</u>	<u>7,600</u>
Total expenditures	<u>31,880</u>	<u>32,780</u>	<u>15,405</u>	<u>17,375</u>
NET CHANGES IN FUND BALANCES	(13,475)	(10,298)	1,514	11,812
FUND BALANCES - BEGINNING	<u>21,012</u>	<u>21,012</u>	<u>21,012</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 7,537</u>	<u>\$ 10,714</u>	<u>\$ 22,526</u>	<u>\$ 11,812</u>

August 10, 2012

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, 2012. 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 10, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Ada are described in Note 1 to the financial statements. Except as described in Note 14 to the financial statements regarding Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, no new accounting policies were adopted and the application of existing policies was not changed during 2012. 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.

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 auditors' 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 August 10, 2012.

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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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, 2011, 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) as a basis for designing our auditing procedures 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 deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been 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 deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies to be material weaknesses.

- Policies and procedures associated with monthly bank reconciliations were not effective so as to assure that reconciliations were completed in a timely manner and that necessary adjustments to the corresponding general ledger cash accounts were identified and recorded. This is a repeat finding.
- The Township has not implemented a system of controls to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. The Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert the Township's financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service 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 organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. This is a repeat finding.

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.

Siegfried Crandall PC

Certified Public Accountants & Advisors

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

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

August 10, 2012

To the Board of Trustees
Township of Ada

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, 2012, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated August 10, 2012, contains our report on material weaknesses in the Township's internal control. This letter does not affect our report dated August 10, 2012, on the financial statements of the Township of Ada.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Siegfried Crandall P.C.

COMMENTS AND RECOMMENDATIONS

Information and communication improvements

Our consideration of the Township's internal controls included an evaluation of information and communication, which is one of the five components of an effective system of internal controls. Ineffective communication of financial information led to the material weakness associated with bank reconciliations and other material audit adjustments.

We recommend that the Board evaluate ways in which information is communicated with the goal of enhancing the usefulness of the information. Information and communication could be improved as follows:

- Improve communication among departments - The Treasurer should communicate with the Township accountant and utility administrator in order to properly reconcile cash balances each month. The cash reconciliation process must involve each department in order to be effective.
- Evaluate access authorization - Certain employees are not allowed access to information within the accounting software because limitations were put in place when the accounting software was implemented to prevent inappropriate changes to data. However, read-only access to the data could allow certain employees to perform their duties more effectively. For example, department heads could be allowed read-only access to reports related to their department in order to monitor budgetary compliance.
- Improve utilization of the Township's accounting software - Several efficiencies are available, but are not being used, within the accounting software program. For example, the use of electronic timesheets could improve the efficiency and timeliness of processing payroll.
- Many of the Township's policies and procedures, especially those related to the accounting function, have not been formally documented. We recommend that the Township develop a written accounting policies and procedures manual. Committing the Township's policies and procedures to writing would provide several benefits, including: clarification of responsibilities; communication of appropriate systems of internal control; and improved continuity at the time of personnel changes.

Reconciliation of cash balances

Policies and procedures associated with monthly bank reconciliations were not effective so as to assure that reconciliations were completed in a timely manner and that necessary adjustments to the corresponding general ledger cash accounts were identified and recorded.

Timely preparation of complete and accurate bank reconciliations is the key to ensuring that all cash receipts and disbursements are properly recorded. Timely, accurate bank reconciliations are essential for the preparation of financial reports that are meaningful and useful to decision makers.

We recommend the preparation of bank reconciliations on a monthly basis, comparison of the reconciled bank balances to the general ledger cash accounts, and resolution of any differences in a timely manner. The Board should consider hiring a qualified accountant to oversee the cash reconciliation process and monitoring of internal accounting reports. The Administrative Committee could review and approve the reconciliations as a monitoring procedure.