

**TOWNSHIP OF ORANGE
KALKASKA COUNTY, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

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Independent Auditor's Report

Members of the Township Board
Township of Orange
Kalkaska County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Orange, 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 table of 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 from 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.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Orange, 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

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 on pages 2 through 6 and 19 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.

Certified Public Accountants
June 13, 2014

Township of Orange
Management's Discussion and Analysis
March 31, 2014

This section of the Township of Orange's annual financial report presents its discussion and analysis of the Township's financial performance during the year ending March 31, 2014. The analysis focuses on the Township's financial performance as a whole. It is intended to be read as part of the Township's financial statements, which immediately follow this section.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Township of Orange's basic financial statements. Township of Orange's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Township of Orange's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Township of Orange's assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Township of Orange is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Township of Orange
Management's Discussion and Analysis
March 31, 2014

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Township of Orange, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Township of Orange can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Township of Orange maintains 2 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund. Data from the other governmental fund is combined into a single, aggregate presentation.

Township of Orange adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund, to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Township of Orange's own programs.

Township of Orange
Management's Discussion and Analysis
March 31, 2014

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Township of Orange, assets exceeded liabilities by \$776,128 and \$734,769 as of March 31, 2014 and 2013.

A large portion of Township of Orange's net position is its investment in capital assets. Township of Orange uses these assets to provide services to citizens; consequently, these assets are not available for future spending.

TOWNSHIP OF ORANGE
SUMMARY OF NET POSITION
MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Current and other assets	\$ 579,216	\$ 535,466
Capital assets	<u>196,912</u>	<u>199,303</u>
Total assets	<u>\$ 776,128</u>	<u>\$ 734,769</u>
Long-term liabilities outstanding	\$	\$
Other liabilities	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u> </u>
Net position:		
Invested in capital assets	196,912	199,303
Unassigned	<u>579,216</u>	<u>535,466</u>
Total net position	<u>776,128</u>	<u>734,769</u>
Total liabilities and net position	<u>\$ 776,128</u>	<u>\$ 734,769</u>

The Township's net position increased by \$41,359 during the 2013-2014 fiscal year.

Township of Orange
Management's Discussion and Analysis
March 31, 2014

TOWNSHIP OF ORANGE
CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2014 AND 2013

	2014	2013
	Governmental	Governmental
	Activities	Activities
Revenues:		
Property taxes	\$ 54,778	\$ 56,627
Other taxes	314	342
State shared revenues	91,175	89,557
Investment earnings	850	2,233
Miscellaneous revenues	9,299	10,094
Total revenues	156,416	158,853
Expenses:		
Governmental activities:		
Legislative	12,337	26,777
General government	60,606	88,774
Public safety	37,355	37,360
Public works	877	877
Capital outlay		
Health and welfare		653
Recreation	800	2,107
Other	3,082	8,746
Total expenses	115,057	165,294
Increase (decrease) in net position	41,359	(6,441)
Net position, beginning	734,769	741,210
Net position, ending	\$ 776,128	\$ 734,769

**Township of Orange
Management's Discussion and Analysis
March 31, 2014**

Financial Analysis of the Government's Funds

As noted earlier, Township of Orange uses fund accounting to insure and demonstrate compliance with finance-related requirements.

Governmental funds. The focus of Township of Orange's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Township of Orange's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of March 31, 2014, Township of Orange's governmental funds reported combined ending fund balances of \$579,216. 100% of this total constitutes unassigned fund balance, which is available for spending at Township of Orange's discretion.

The general fund is the chief operating fund of Township of Orange. As of March 31, 2014, unassigned fund balance of the general fund was \$567,493.

The fund balance of Township of Orange's general fund increased by \$43,418 during the current fiscal year.

General Fund Budgetary Highlights

There was a favorable budget balance of \$559,688 in expenditures, is primarily due to the budgeting of \$200,000 for highways and streets, and \$260,000 in buildings and grounds, against \$3,135 in combined actual expenditures for these categories.

Capital Asset and Debt Administration

Capital assets. Township of Orange's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$196,912 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and machinery and equipment.

Economic Condition and Outlook

It appears that state-shared revenues and taxable values have stabilized, stabilizing the two largest revenue streams of the Township. The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

These factors were considered in preparing the Township's budgets for the upcoming fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Township of Orange's finances for all those with an interest in the government's finances. Questions concerning any of the financial information should be addressed to Eric Hendricks, Township Clerk, 3715 Saunders Rd. SE, Kalkaska, MI 49646.

FINANCIAL SECTION

TOWNSHIP OF ORANGE
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
YEAR ENDED MARCH 31, 2014

	Governmental Fund Types		Total Governmental Funds	Adjustments	Statement Of Net Position
	General	Non-Major Funds			
ASSETS					
Cash	\$ 544,653	\$ 11,723	\$ 556,376	\$	\$ 556,376
Taxes receivable	8,847		8,847		8,847
Due from other funds	652		652		652
Due from state	13,341		13,341		13,341
Capital Assets:					
Land and land improvements				153,832	153,832
Buildings and other equipment, net of accumulated depreciation				43,080	43,080
TOTAL ASSETS	<u>\$ 567,493</u>	<u>\$ 11,723</u>	<u>\$ 579,216</u>	<u>\$ 196,912</u>	<u>\$ 776,128</u>
LIABILITIES:					
Due to other funds	\$	\$	\$	\$	\$
Due to other governmental units					
TOTAL LIABILITIES					
FUND BALANCE/NET POSITION					
Fund balances:					
Undesignated	567,493	11,723	579,216	(579,216)	
TOTAL FUND BALANCE	<u>567,493</u>	<u>11,723</u>	<u>579,216</u>	<u>(579,216)</u>	
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 567,493</u>	<u>\$ 11,723</u>	<u>\$ 579,216</u>		
NET POSITION					
Invested in Capital Assets				196,912	196,912
Unrestricted				579,216	579,216
TOTAL NET POSITION				<u>776,128</u>	<u>776,128</u>
				<u>\$ 196,912</u>	<u>\$ 776,128</u>

See accompanying notes and accountant's report.

TOWNSHIP OF ORANGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED MARCH 31, 2014

Total governmental fund balance	\$ 579,216
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>196,912</u>
Net position of governmental activities	<u><u>\$ 776,128</u></u>

See accompanying notes and accountant's report.

TOWNSHIP OF ORANGE
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2014

	Governmental Fund Type		Total Governmental Funds	Adjustments	Statement of Activities
	General	Non-Major Funds			
REVENUES:					
Property taxes	\$ 54,778	\$	\$ 54,778	\$	\$ 54,778
Other taxes	314		314		314
State revenue sharing	91,175		91,175		91,175
Interest	833	17	850		850
Miscellaneous	9,299		9,299		9,299
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	156,399	17	156,416		156,416
EXPENDITURES:					
Legislative:					
Township Board	12,337		12,337		12,337
General government:					
Supervisor	5,000		5,000		5,000
Elections	4,272		4,272		4,272
Assessor	14,421		14,421		14,421
Clerk	13,889		13,819		13,819
Board of Review	1,050		1,050		1,050
Treasurer	14,383		14,383		14,383
Building and grounds	3,135		3,135		3,135
Cemetery	3,012		3,012		3,012
Depreciation				1,514	1,514
Public safety:					
Fire protection	31,429		31,429		31,429
Refuse collection	5,926		5,926		5,926

	Governmental Fund Type		Total Governmental Funds	Adjustments	Statement of Activities
	General	Non-Major Funds			
EXPENDITURES (Continued):					
Public works:					
Highways and streets					
Depreciation				877	877
Capital outlay					
Health and welfare:					
Health					
Recreation	800		800		800
Other:					
Insurance	3,082		3,082		3,082
TOTAL EXPENDITURES	112,666		112,666	2,391	115,057
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43,733	17	43,750	(2,391)	41,359
OTHER FINANCING SOURCES (USES):					
Operating transfers in		315	315		315
Operating transfers (out)	(315)		(315)		(315)
TOTAL OTHER FINANCING SOURCES (USES)	(315)	315			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	43,418	332	43,750	(43,750)	
CHANGE IN NET POSITION				41,359	41,359
FUND BALANCE/NET POSITION, beginning of year	524,075	11,391	535,466	199,303	734,769
FUND BALANCE/NET POSITION, end of year	\$ 567,493	\$ 11,723	\$ 579,216	\$ 196,912	\$ 776,128

See accompanying notes and accountant's report.

TOWNSHIP OF ORANGE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014

Net change in fund balance	\$	43,750
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Amounts reported for governmental activities are different because:

Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets are depreciated over their estimated useful lives.

Expenditures of capital assets		
Current year depreciation		(2,391)

Change in net position of governmental activities	\$	41,359
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See accompanying notes and accountant's report.

**TOWNSHIP OF ORANGE
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
MARCH 31, 2014**

ASSETS

Cash	\$	<u>652</u>
TOTAL ASSETS	\$	<u><u>652</u></u>

LIABILITIES

Due to other funds	\$	<u>652</u>
TOTAL LIABILITIES	\$	<u><u>652</u></u>

See accompanying notes and accountant's report.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Orange (Township), Kalkaska County, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of summary of significant accounting policies by the Township.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 the 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 the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund 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* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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, as well as expenditures related to compensated absences are recorded only when a payment is due.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus, Basis of Accounting and Basis of Presentation - continued

Property taxes, franchise taxes, licenses, 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 government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for tax collection function that is maintained by the County Treasurer.

The Township's only other fund is a non-major governmental fund. The *capital projects fund* accounts for the general operations of the building department.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and investments

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to the finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2013 Township tax roll general millage rate was .7886 mills. The Township also levies 1.000 mills for fire protection. The taxable value was \$30,851,543.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated fixed assets are stated at their fair market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment of a fund is determined by its measurement focus. General capital assets are long-lived assets of the Township as a whole. Infrastructure such as streets, traffic signals and signs will be capitalized on a prospective basis. The valuation basis for the general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets - continued

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

Buildings	50 years
Building Improvements	10 to 15 years
Roads	40 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Budgets and Budgetary Accounting

Budgetary information

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these basic financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS

Capital asset balances and activity for the year ended March 31, 2014 were as follows:

Primary Government	<u>Balance 3/31/13</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Balance 3/31/14</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 107,903	\$	\$	\$ 107,903
Total capital assets not being depreciated	<u>107,903</u>			<u>107,903</u>
Capital assets, being depreciated				
Buildings	20,595			20,595
Equipment	21,334			21,334
Land Improvements	52,541			52,541
Infrastructure	<u>43,849</u>			<u>43,849</u>
Total capital assets being depreciated	<u>138,319</u>			<u>138,319</u>
Less accumulated depreciation for:				
Buildings	12,203	442		12,645
Equipment	20,798	484		21,282
Land Improvements	6,025	588		6,613
Infrastructure	<u>7,893</u>	<u>877</u>		<u>8,770</u>
Total accumulated depreciation	<u>46,919</u>	<u>2,391</u>		<u>49,310</u>
Total capital assets, being depreciated, net	<u>91,400</u>	<u>(2,391)</u>		<u>89,009</u>
Governmental activities capital assets, net	<u>\$ 199,303</u>	<u>\$ (2,391)</u>	<u>\$</u>	<u>\$ 196,912</u>

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

The amounts of Interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 652</u>	Current Tax Collection	<u>\$ 652</u>

Interfund amounts were used as initial funds for cash flow purposes.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – POSTEMPLOYMENT BENEFITS

The Township provides no post employment benefits to past employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker’s compensation). The Township has purchased commercial insurance for property loss, torts, and worker’s compensation claims. Settled claims relating to the commercial insurance have not exceed the amount of insurance coverage in any the past five fiscal years.

NOTE 6 – DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 40 risk disclosure for deposits at year end are as follows:

Deposits	Bank Balances
Insured FDIC	\$ 513,280
Uninsured	44,907
Total Deposits	\$ 558,187

At year end the balance sheet carrying amount of deposits was \$556,376.

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Township places no limit on the amount the district may invest in any one issuer.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category as of March 31, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any items that qualify for reporting in this category as of March 31, 2014.

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2014, the most recent statement of net position presented herein, through June 13, 2014, the issuance date of the accompanying financial statements. No significant such events or transactions were identified.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF ORANGE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED MARCH 31, 2014

	General Fund			
	Original Budget	Final Budget	Actual	(Over)/Under Budget
REVENUES:				
Property taxes	\$ 57,600	\$ 57,600	\$ 54,778	\$ (2,822)
Other taxes			314	314
State revenue sharing	102,400	102,400	91,175	(11,225)
Interest			833	833
Miscellaneous			9,299	9,299
TOTAL REVENUES	<u>160,000</u>	<u>160,000</u>	<u>156,399</u>	<u>(3,601)</u>
EXPENDITURES:				
Legislative:				
Township Board	24,000	24,000	12,337	11,663
General government:				
Supervisor	5,500	5,500	5,000	500
Elections	8,000	8,000	4,272	3,728
Assessor	15,000	15,000	14,421	579
Clerk	21,400	21,400	13,819	7,581
Board of Review	1,500	1,500	1,050	450
Treasurer	17,000	17,000	14,383	2,617
Building and grounds	260,000	260,000	3,135	256,865
Cemetery	8,000	8,000	3,012	4,988
Unallocated	62,954	62,954		62,954
Public safety:				
Fire protection	34,000	34,000	31,429	2,571
Refuse collection	8,000	8,000	5,926	2,074
Public works				
Highways and streets	200,000	200,000		200,000
Health and welfare:				
Health	1,000	1,000		1,000
Recreation	1,000	1,000	800	200
Other:				
Insurance	5,000	5,000	3,082	1,918
TOTAL EXPENDITURES	<u>672,354</u>	<u>672,354</u>	<u>112,666</u>	<u>559,688</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(512,354)</u>	<u>(512,354)</u>	<u>43,733</u>	<u>556,087</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)			<u>(315)</u>	<u>(315)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	<u>\$ (512,354)</u>	<u>\$ (512,354)</u>	43,418	<u>\$ 555,772</u>
FUND BALANCE, beginning of year			<u>524,075</u>	
FUND BALANCE, end of year			<u>\$ 567,493</u>	

See accountant's report.

SUPPLEMENTARY INFORMATION

**TOWNSHIP OF ORANGE
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2014**

	<u>Balance 4/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/14</u>
ASSETS				
Cash in bank	<u>\$ 409</u>	<u>\$ 811,001</u>	<u>\$ 810,758</u>	<u>\$ 652</u>
LIABILITIES				
Due to other funds	\$ 409	46,326	46,569	\$ 652
Due to other taxing units	<u> </u>	<u>764,675</u>	<u>764,189</u>	<u> </u>
Total Liabilities	<u>\$ 409</u>	<u>\$ 811,001</u>	<u>\$ 810,758</u>	<u>\$ 652</u>

See accountant's report.



COMMUNICATION OF A MATERIAL WEAKNESS

Member of the Township Board
Township of Orange
Kalkaska County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Orange 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 Township of Orange'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 Township of Orange's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be 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 certain 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Township of Orange's internal control to be material weaknesses:

1) Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's 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 books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot be considered a part of the government's internal controls.

Cause: The condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

The Township of Orange's responses to the material weaknesses identified in our audit are described above. We did not audit Township of Orange's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Township Board and others within the organization, and it is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants
June 13, 2014