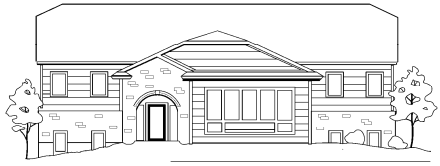


TOWNSHIP OF FOREST HOME
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2014

TOWNSHIP OF FOREST HOME

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Miller & Cook, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Richard W. Miller, CPA
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P.O. Box 962
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INDEPENDENT AUDITOR'S REPORT

July 24, 2014

To the Township Board
Forest Home Township
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities of Forest Home Township, Antrim County, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the 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 misstatements of the financial statements, where 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 audit opinions.

PHONE (989) 732-7515, FAX (989) 732-7790

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Forest Home Township, Antrim County, Michigan as of March 31, 2014, and the respective changes in financial position of the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 and budgetary comparison information on pages 20-23 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Miller & Cook, LLP

**TOWNSHIP OF FOREST HOME
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2014**

This section of Forest Home Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2014. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Overall revenues for the primary government were approximately \$626,000 of which approximately \$109,000 is classified as program revenues, approximately \$517,000 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Overall expenses totaled approximately \$807,000 for the primary government. The activities of the Township have remained the same.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Position includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net position is the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net position is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

General Fund – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

Roads Fund – this fund accounts for the road millage and road repair and maintenance expenditures.

Financial Analysis of the Township as a Whole

Net Position - the Township's net position decreased by approximately \$187,000 during the year ended March 31, 2014 totaling at year-end \$2,714,419.

Capital Asset and Long-Term Debt Activity

The Township has no long-term debt. Depreciation expense totaled \$28,485.

Known Factors affecting Future Operations

None.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at P.O. Box 317, Bellaire, MI 49615

Terry Smith, Supervisor

**TOWNSHIP OF FOREST HOME
STATEMENT OF NET POSITION
MARCH 31, 2014**

		Primary Government - Governmental Activities
Assets		
Cash	\$	889,894
Investments		83,439
Accounts receivable:		
Due from county		21,035
Capital assets, net of accumulated depreciation		1,723,901
Total assets	\$	2,718,269
Liabilities		
Accounts payable	\$	3,850
Net Position		
Invested in capital assets, net of related debt		1,723,901
Restricted for:		
Public improvement		395,906
Unassigned		594,612
Total net position	\$	2,714,419

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2014**

Program Revenues

	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenue and and Changes in Net Position
Governmental Activities					
General government	\$ (286,574)	\$ 68,557	\$ -	\$ 40,989	\$ (177,028)
Parks and recreation	(54,689)	-	-	-	(54,689)
Public works	(471,856)	-	-	-	(471,856)
	(813,119)	68,557	-	40,989	(703,573)
	(813,119)	68,557	-	40,989	(703,573)
 General revenues:					
Property Taxes:					
Levied for general operating purposes					189,255
Levied for road repair and maintenance					189,255
State shared revenue (not restricted to specific purpose)					133,097
Interest					1,781
Miscellaneous					2,878
					516,266
					516,266
					(187,307)
Change in net position					(187,307)
Net position - Beginning of year					2,901,726
					2,901,726
Net position - End of year					\$ 2,714,419
					\$ 2,714,419

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
BALANCE SHEET
MARCH 31, 2014**

Major Funds

	General Fund	Roads Fund	Total
Assets			
Cash	\$ 586,938	\$ 302,956	\$ 889,894
Investments	-	83,439	83,439
Delinquent taxes receivable	11,524	9,511	21,035
Total assets	\$ 598,462	\$ 395,906	\$ 994,368
 Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 3,850	\$ -	\$ 3,850
 Fund Balance:			
Restricted for:			
Public improvement	-	395,906	395,906
Unassigned	594,612	-	594,612
Total fund balances	594,612	395,906	990,518
Total liabilities and fund equity	\$ 598,462	\$ 395,906	\$ 994,368

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2014**

Total Fund Balance - Governmental Funds (Per Balance Sheet - page 7)	\$ 990,518
Amounts reported for governmental activities in the Statement of Net Position (page 5) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not recorded in the funds	1,723,901
	<hr/>
Total Net Position - Governmental Activities (Per Statement Of Net Position - Page 5)	\$ 2,714,419
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Roads Fund</u>	<u>Total</u>
Revenues			
Current property taxes	\$ 189,255	\$ 189,255	\$ 378,510
State shared revenues	133,097	-	133,097
Charges for services	61,770	-	61,770
Interest	1,041	740	1,781
Other	50,654	-	50,654
	<hr/>	<hr/>	<hr/>
Total revenues	435,817	189,995	625,812
Expenditures			
Current:			
General government	266,445	-	266,445
Public works	4,886	466,970	471,856
Parks and recreation	46,333	-	46,333
	<hr/>	<hr/>	<hr/>
Total expenditures	317,664	466,970	784,634
Excess of revenues over expenditures	118,153	(276,975)	(158,822)
Fund balance - April 1, 2013	476,459	672,881	1,149,340
	<hr/>	<hr/>	<hr/>
Fund balance - March 31, 2014	<u>\$ 594,612</u>	<u>\$ 395,906</u>	<u>\$ 990,518</u>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2014**

Net Change In Fund Balance - Governmental Funds (Page 9)	\$ (158,822)
Amounts reported for governmental activities in the Statement of Activities (page 6) are different because:	
Depreciation expense is recorded in the Statement of Activities but not in the fund financial statements	(28,485)
	<hr/>
Change In Net Position - Governmental Activities (Per Statement Of Activities - Page 6)	\$ (187,307)
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 1: ENTITY

The Township of Forest Home is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Township of Forest Home.

Joint Venture

The Bellaire District Fire Authority is a joint venture created December 1973 by Forest Home and Kearney Townships, of Antrim County, Michigan. The Bellaire District Fire Authority is organized under PA 7 of 1967 and PA 365 of 1982 of the Michigan Compiled Laws. The board was organized to better serve the citizens of the townships and the Village of Bellaire.

The Department is under the control of a Board consisting of two members from each Township and a member residing in the Village of Bellaire. Each township appoints two Board members and an at large member is selected from the Village of Bellaire. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township approximately equal to a 1 mill levy on the taxable value of the geographical area covered. The Fire Authority's boundaries include all of Forest Home and Kearney Townships.

The Bellaire District Fire Authority is audited under separate cover. Financial statements can be obtained at 321 N. Bridge Street, Bellaire, MI 49615.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Forest Home Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of Forest Home Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-wide and Fund Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Roads Fund – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

Fund Equity Information

Beginning with fiscal year 2011-2012, the Township implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

It is the Township’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Township’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balances	<u>General Fund</u>	<u>Road Fund</u>
Non Spendable	\$ -	\$ -
Restricted	-	395,906
Committed	-	-
Assigned	-	-
Unassigned	<u>594,612</u>	<u>-</u>
Total Fund Balances	\$ 594,612	\$ 395,906

MEASUREMENT FOCUS AND BASIS ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements.

**TOWNSHIP OF FOREST HOME
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Non-exchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2013, are recorded as revenue in the current year. The Township's taxable value for the 2013 tax year totaled \$189,255,000.

The tax rates for the year ended March 31, 2014, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	1.0000 mills per \$1,000
Roads (Voted)	1.0000 mills per \$1,000

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items. The Township experienced no overexpenditures during the year.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1 – 3 years
Office furniture	5 – 20 years
Township vehicles	4 – 7 years
Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years

Land and construction in progress are not depreciated.

For information describing capital assets, see Note 4.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local unit of government in Michigan.

The Township utilizes one area bank to maintain deposit accounts. At year end, the cash and investment balances were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 873,335	\$ 16,559	\$ 889,894
Investments	83,439	-	83,439
Total	\$ 956,774	\$ 16,559	\$ 973,333

Cash is comprised of deposit accounts held by the Township. Investments are certificates of deposits purchased by the Township with original maturities greater than 90 days.

The bank balance of the Township's cash and investments is \$1,370,404, of which \$250,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of the cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 4: CAPITAL ASSETS

	<u>Balance April 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2014</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,143,066	\$ -	\$ -	\$ 1,143,066
Capital assets being depreciated:				
Buildings	519,632	-	-	519,632
Furniture and Equipment	70,488	-	-	70,488
Land Improvements	167,118	-	-	167,118
Subtotal	<u>757,238</u>	<u>-</u>	<u>-</u>	<u>757,238</u>
Accumulated depreciation:				
Buildings	88,723	12,991		101,714
Furniture and Equipment	45,520	7,138		52,658
Land Improvements	13,675	8,356		22,031
Subtotal	<u>147,918</u>	<u>28,485</u>	<u>-</u>	<u>176,403</u>
Net capital assets being depreciated	<u>609,320</u>	<u>(28,485)</u>	<u>-</u>	<u>580,835</u>
Net capital assets	<u>\$ 1,752,386</u>	<u>\$ (28,485)</u>	<u>\$ -</u>	<u>\$ 1,723,901</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

General Government	\$ 20,129
Parks and Recreation	<u>8,356</u>
Total	<u>\$ 28,485</u>

NOTE 5: CONTINGENCIES

Insurance

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 6: PENSION PLAN

The Township of Forest Home contributes to a pension plan which is a defined contribution pension plan administered by the Manulife Financial Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All elected officials over the age of 21 are eligible to participate in the plan. Contributions made by the Township and employees are fully vested immediately. The participant will receive all vested benefits upon termination of employment with the Township. Normal retirement age is 65 or completion of 10 years of service, whichever is later. Early retirement is permitted at age 55.

The plan requires the Township to contribute 20% of the eligible employee's current compensation. The Township has met all pension obligations for the year ended March 31, 2014. The Township's contribution for the year totaled \$18,738.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2014**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Revenues				
Current property taxes	\$ 192,686	\$ 192,686	\$ 189,255	\$ (3,431)
State shared revenues	128,470	128,470	133,097	4,627
Charges for services	60,947	60,947	61,770	823
Interest	1,385	1,385	1,041	(344)
Other	24,577	24,577	50,654	26,077
Total Revenues	408,065	408,065	435,817	27,752
Expenditures				
General Government				
Township Board:				
Wages	4,000	4,000	2,550	1,450
Social security	12,000	12,000	10,003	1,997
Office supplies	10,000	10,000	5,355	4,645
Data processing	6,000	6,000	7,979	(1,979)
Legal and professional	25,000	25,000	5,780	19,220
Audit	3,000	3,000	270	2,730
Education	3,000	3,000	635	2,365
Pension	20,000	20,000	18,738	1,262
Printing and publishing	2,000	2,000	1,708	292
Bonds and insurance	10,000	10,000	4,700	5,300
Dues and memberships	4,000	4,000	3,008	992
Spring clean-up expenses	30,000	30,000	24,970	5,030
Miscellaneous	5,000	5,000	916	4,084
Capital outlay	4,000	4,000	2,221	1,779
Total Township Board	138,000	138,000	88,833	49,167
Township Supervisor:				
Salary	18,500	18,500	18,500	-
Deputy	2,400	2,400	3,000	(600)
Postage	500	500	17	483
Dues and membership	200	200	-	200
Total Township Supervisor	21,600	21,600	21,517	83
Election Board:				
Salaries	3,000	3,000	-	3,000
Supplies	2,000	2,000	158	1,842
Total Election Board	5,000	5,000	158	4,842

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2014**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Assessor:				
Contract Services	24,400	24,400	24,400	-
Total Township Assessor	24,400	24,400	24,400	-
Township Clerk:				
Salaries	24,000	24,000	24,000	-
Deputy Clerk	3,000	3,000	3,000	-
	27,000	27,000	27,000	-
Board of Review:				
Salaries	2,000	2,000	1,445	555
Total Board of Review	2,000	2,000	1,445	555
Township Treasurer:				
Salary	24,000	24,000	24,000	-
Deputy	3,000	3,000	3,000	-
Postage	12,000	12,000	12,773	(773)
Total Township Treasurer	39,000	39,000	39,773	(773)
Township Hall:				
Utilities	14,000	14,000	11,739	2,261
Repair and maintenance	12,000	12,000	8,647	3,353
Total Township Hall	26,000	26,000	20,386	5,614
Planning / Zoning Board:				
Planning/zone admin wages	21,650	21,650	26,530	(4,880)
Legal & professional	10,000	10,000	13,667	(3,667)
Transportation and miscellaneous	500	500	-	500
Total Planning / Zoning	32,150	32,150	40,197	(8,047)
Cemetery				
Cemetery services	10,000	10,000	2,736	7,264
Total Cemetery	10,000	10,000	2,736	7,264
Total General Government	325,150	325,150	266,445	58,705

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2014**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Public Works:				
Roads and Streets				
Street lighting	7,000	7,000	4,886	2,114
Parks and Recreation:				
Parks				
Park maintenance	37,000	37,000	46,333	(9,333)
	<u>37,000</u>	<u>37,000</u>	<u>46,333</u>	<u>(9,333)</u>
Total Expenditures	<u>369,150</u>	<u>369,150</u>	<u>317,664</u>	<u>51,486</u>
Excess Revenues over Expenditures	38,915	38,915	118,153	79,238
Fund Balance-Beginning of Year	<u>476,459</u>	<u>476,459</u>	<u>476,459</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 515,374</u>	<u>\$ 515,374</u>	<u>\$ 594,612</u>	<u>\$ 79,238</u>

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - ROADS FUND
YEAR ENDED MARCH 31, 2014**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Current property taxes	\$ 184,114	\$ 184,114	\$ 189,255	\$ 5,141
Interest	1,591	1,591	740	(851)
Total revenues	185,705	185,705	189,995	4,290
Expenditures				
Road repairs and maintenance	500,000	500,000	466,970	33,030
Excess (deficiency) of revenues over (under) expenditures	(314,295)	(314,295)	(276,975)	37,320
Fund Balance - Beginning of Year	672,881	672,881	672,881	-
Fund Balance - End of Year	<u>\$ 358,586</u>	<u>\$ 358,586</u>	<u>\$ 395,906</u>	<u>\$ 37,320</u>



Miller & Cook, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 24, 2014

To the Township Board
Forest Home Township
Antrim County, Michigan

We have audited the financial statements of Forest Home Township for the year ended March 31, 2014. As required by auditing standards generally accepted in the United States of America, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Auditor's Responsibility under United States General Accepted Auditing Standards

We conducted our audit of the financial statements of Forest Home Township in accordance with auditing standards generally accepted in the United States of America. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound account policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion of them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance of those which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient, competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than on attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financials are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Significant Accounting Policies

The significant accounting policies are described in Note 2 of the financial statements.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to: 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures performed; 3) Disagreements with management regarding the scope of the audit or application of account principles; 4) Consultation with other accounts; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

Internal Control Matters

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material or material weaknesses.

A **control deficiency** 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A **material weakness** is a significant deficiency, or combination of significant deficiency, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might

be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (“GAAP”). As a matter of convenience, the Organization has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Organization has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Organization has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other organizations of its size.

Summary

This information is intended solely for the use of the Board and Management of Forest Home Township and is not intended to be and should not be used by anyone other than these specific parties.

We welcome any questions you may have regarding the foregoing comments, and would be happy to discuss any of these or other questions that you might have at your convenience.

Respectfully Yours,

Miller and Cook, LLP