



Mary Taylor, CPA
Auditor of State

KEENE TOWNSHIP
COSHOCKTON COUNTY

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Mary Taylor, CPA
Auditor of State

Keene Township
Coshocton County
27218 County Road 406
Fresno, Ohio 43824

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 19, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Keene Township
Coshocton County
27218 County Road 406
Fresno, Ohio 43824

To the Board of Trustees:

We have audited the accompanying financial statements of Keene Township, Coshocton County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Keene Township, Coshocton County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 19, 2007

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$22,298	\$51,660	\$73,958
Charges for Services	285		285
Intergovernmental	12,528	104,280	116,808
Earnings on Investments	3,536	3,315	6,851
Miscellaneous		3,050	3,050
		<hr/>	<hr/>
Total Cash Receipts	<hr/> 38,647	<hr/> 162,305	<hr/> 200,952
Cash Disbursements:			
Current:			
General Government	24,748		24,748
Public Works	2,871	55,821	58,692
Health	6,544	567	7,111
Conservation - Recreation	200		200
Capital Outlay		37,458	37,458
		<hr/>	<hr/>
Total Cash Disbursements	<hr/> 34,363	<hr/> 93,846	<hr/> 128,209
Total Cash Receipts Over Cash Disbursements	4,284	68,459	72,743
Fund Cash Balances, January 1	<hr/> 61,509	<hr/> 213,920	<hr/> 275,429
Fund Cash Balances, December 31	<hr/> \$65,793	<hr/> \$282,379	<hr/> \$348,172

The notes to the financial statements are an integral part of this statement.

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$21,443	\$50,068	\$71,511
Charges for Services	794		794
Intergovernmental	13,415	91,871	105,286
Earnings on Investments	989	1,425	2,414
Miscellaneous		1,400	1,400
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	36,641	144,764	181,405
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	25,571		25,571
Public Works	3,748	178,279	182,027
Health	6,207	1,405	7,612
Conservation - Recreation	150		150
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	35,676	179,684	215,360
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	965	(34,920)	(33,955)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Other Financing Sources		9,675	9,675
Transfers-In	4,712		4,712
Transfers-Out		(4,712)	(4,712)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	4,712	4,963	9,675
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,677	(29,957)	(24,280)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	55,832	243,877	299,709
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$61,509</u>	<u>\$213,920</u>	<u>\$275,429</u>

The notes to the financial statements are an integral part of this statement.

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Keene Township, Coshocoton County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, cemetery services, and road and bridge maintenance. The Township contracts with Three Rivers Fire District to provide fire and ambulance services. The Township contracts with the Coshocoton County Sheriff's Department for police protection.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:
Three Rivers Fire District

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Township maintains all cash in an interest-bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**KEENE TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Special Levy Fund (Road Repair) - This fund receives levied property tax money for constructing, maintaining, and repairing Township roads and bridges and funding a portion of the Trustees salary.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. (The Township did not encumber all commitments required by Ohio law.)

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash

The Township maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2006	2005
Demand deposits	\$348,172	\$275,429

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2006 and 2005 is as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,800	\$38,647	\$847
Special Revenue	153,799	162,305	8,506
Total	\$191,599	\$200,952	\$9,353

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,308	\$34,363	\$64,945
Special Revenue	367,717	93,846	273,871
Total	\$467,025	\$128,209	\$338,816

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,788	\$41,353	\$7,565
Special Revenue	135,978	154,439	18,461
Total	\$169,766	\$195,792	\$26,026

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,620	\$35,676	\$53,944
Special Revenue	389,528	184,396	205,132
Total	\$479,148	\$220,072	\$259,076

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

6. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Management (Continued)

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Management (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$10,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2004	\$3,659
2005	4,972
2006	4,992

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Three Rivers Fire District

The constitution and laws of the State of Ohio establish the rights and privileges of the Three Rivers Fire District, Coshocoton County, (the District) as a body corporate and politic. The District is directed by an appointed representative of three political subdivisions consisting of Keene Township, Mill Creek Township, and Tuscarawas Township. The Board of Trustees consists of five members: one member from each of the aforementioned subdivisions and two members whose appointment is made by the Board on a one-year rotational basis. The principal purpose of the District is to pool the mutual resources and abilities of the member subdivisions and thereby provide adequate and responsible fire emergency and fire rescue to all the people within the District. The District assesses a property tax directly to the residents of the participating subdivisions which is collected and distributed by Coshocoton County directly to the District.

8. Interfund Transfer

During 2005, a transfer in the amount of \$4,712 was made from the Special Revenue Fund to the General Fund. This transfer was made in accordance with AOS Bulletin 98-013 to reimburse the General Fund for FEMA expenditures.

**KEENE TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. Material Noncompliance

Contrary to Ohio Rev. Code Section 5705.40, the Township Fiscal Officer amended appropriations without the approval of the Board of Trustees.

Contrary to Ohio Rev. Code Section 507.04A, the Township Fiscal Officer did not keep an accurate record of the proceedings of the Board of Trustees at all of its meetings.

Contrary to Ohio Rev. Code Section 5549.21, the Township purchased road materials and machinery from vendors exceeding \$25,000 without evidence of competitive bidding procedures.

Contrary to 26 U.S.C. Section 3402, the Township did not withhold federal income taxes according to completed Forms W-4 filed for any Township official or employee.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Keene Township
Coshocton County
27218 County Road 406
Fresno, Ohio 43824

To the Board of Trustees:

We have audited the financial statements of Keene Township, Coshocton County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 19, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: findings number 2006-001 through 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001 through 2006-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 19, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-004 through 2006-007.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 19, 2007.

We intend this report solely for the information and use of management and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 19, 2007

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Material Weakness

Board of Trustees Financial Statement and Reconciliation Reviews

The Board of Trustees does not receive monthly budget versus actual reports and year-to-date financial information from the Township Fiscal Officer for subsequent review and approval as evidenced in the minute records. This prevented the Township Fiscal Officer and the Board of Trustees from properly evaluating, on an on-going basis, the status of estimated versus actual receipt and expenditure activity. In addition, there was no evidence the Board of Trustees reviews and approves the monthly bank reconciliations. As a result, errors or irregularities may occur and not be detected timely.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Township Fiscal Officer should submit monthly budget versus actual reports, year-to-date financial information and monthly bank reconciliations to the Board of Trustees for subsequent review and approval as evidenced within the minute records. This will help ensure the Township Fiscal Officer and the Board of Trustees effectively monitor and assess, on an on-going basis, results of estimated versus actual receipt and expenditure activity, as well as the completeness and accuracy of the monthly bank reconciliations.

Officials' Response: We did not receive a response from the Officials' to this finding.

FINDING NUMBER 2006-002

Material Weakness

Monitoring Budgetary Amounts

During 2006 and 2005, the Township's Estimated Receipts and Appropriations in the financial reports did not initially reconcile to the estimated receipts and appropriations as approved by the Board of Trustees and County Budget Commission by amounts up to \$9,675. Consequently, the Township Fiscal Officer and Board of Trustees were unable to monitor the Township's budget status; thus preventing the Township from properly evaluating, on an on-going basis, the status of anticipated Township financial resources and expenditures.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

FINDING NUMBER 2006-002 (Continued)

The Township's Comparison of Budgeted and Actual Receipts and Comparison of Disbursements and Encumbrances reports should reflect estimated receipts and appropriations approved by the Board of Trustees and the County Budget Commission. The Township Fiscal Officer should periodically reconcile the Comparison of Budgeted and Actual Receipts and Comparison of Disbursements and Encumbrances reports to ensure budgeted amounts are posted accurately and timely. This will help ensure the Board of Trustees and the Township Fiscal Officer have the information to effectively monitor and assess, on an on-going basis, results of estimated versus actual receipts and appropriations versus expenditures.

Officials' Response: We did not receive a response from the Officials' to this finding.

FINDING NUMBER 2006-003

Material Weakness

Classification of Receipts and Expenditures

During 2006 and 2005, the Township Fiscal Officer misclassified receipts as follows:

- Trustee salaries paid out of the Special Revenue Fund were originally classified as General Government expenditures rather than Public Work expenditures.
- Permissive Motor Vehicle License Tax receipts were originally classified as Taxes rather than Intergovernmental receipts.
- Manufactured home tax receipts were originally classified as Intergovernmental receipts rather than Taxes.
- Tangible Personal Property tax receipts were originally posted to the General Fund rather than the applicable Special Revenue Fund.
- Certain refunds were originally classified as Charges for Services rather than Miscellaneous receipts.

As a result, the above receipts and expenditures line items were initially overstated/understated. Material items were adjusted in the accompanying financial statements.

The Township Fiscal Officer and the Board of Trustees should periodically monitor the classification of all receipts and expenditures to help ensure Township receipts and disbursements are accurately recorded in accordance with the Ohio Township Handbook.

Officials' Response: We did not receive a response from the Officials' to this finding.

FINDING NUMBER 2006-004

Significant Deficiency and Noncompliance Citation

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another. *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152, indicates that a local government's governing board is prohibited from delegating those discretionary duties statutorily assigned to it. Following such reasoning, a governing board is prohibited from delegating the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

FINDING NUMBER 2006-004 (Continued)

During 2006 and 2005, the Township Fiscal Officer amended appropriations without the approval of the Board of Trustees. In addition, these amendments were not filed with the County Auditor. The Board of Trustees should approve all amendments to appropriations at the legal level of control. In addition, appropriation amendments should be timely filed with the County Auditor to ensure compliance with Ohio Rev. Code Section 5705.39.

Officials' Response: We did not receive a response from the Officials' to this finding.

FINDING NUMBER 2006-005

Noncompliance Citation

Ohio Rev. Code Section 507.04(A) requires the township fiscal officer keep an accurate record of the proceedings of the board of township trustees at all of its meetings, and of all its accounts and transactions. **Ohio Rev. Code Section 121.22(c)** provides that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

During 2006 and 2005, the Township Fiscal Officer did not document certain resolutions, ordinances and decisions agreed upon by the Board of Trustees during township meetings, including the approval of the necessary tax levies and other budgetary approvals. In addition, certain motions were made very generally. For example, during each year, a motion was made authorizing any or all trustees to maintain any or all township roads, repair any or all township machinery, purchase material, and hire labor for the township. The Township should ensure their official minute records are full and accurate and state sufficient facts and information to permit the public to understand and appreciate the rationale behind their decisions. In addition, the Board of Trustees should not delegate discretionary duties assigned to it.

Officials' Response: We did not receive a response from the Officials' to this finding.

FINDING NUMBER 2006-006

Noncompliance Citation

Ohio Rev. Code Section 5549.21 provides that townships may purchase or lease materials, machinery and tools to be used in constructing, reconstructing, maintaining, and repairing roads and culverts from the township's road fund. However, if the cost of such materials, machinery or tools exceeds twenty-five thousand dollars, the purchase shall be made from the lowest responsible bidder after advertisement, as provided in Ohio Rev. Code Section 5575.01.

During 2006 and 2005, the Township purchased road materials and machinery from certain vendors exceeding \$25,000 without evidence of competitive bidding procedures. The Township Board of Trustees should ensure all purchases of road materials, machinery and tools in excess of \$25,000 are made to the lowest responsible bidder after advertisement to ensure compliance with the Ohio Revised Code.

Officials' Response: We did not receive a response from the Officials' to this finding.

FINDING NUMBER 2006-007

Noncompliance Citation

26 U.S.C. Section 3402 requires an employer to deduct and withhold federal income tax from the compensation of the Township employees. Circular E of the Internal Revenue Service Publication (revised January 1986) requires that a Form W-4 (exemptions) for federal income tax deductions be filed for each employee. If a Form W-4 is not filed by the official, deductions are to be made as single with no dependents.

During 2006 and 2005, the Township did not withhold federal income taxes according to completed Form W-4 filed for any Township official or employee. Accordingly, forms 941 were not filed with the Internal Revenue Service on a timely basis. The Township Fiscal Officer should withhold federal income tax from the compensation of Township officials and employees according to Forms W-4 filed. This will help ensure that the proper amounts of federal taxes are withheld from officials and employees. In addition, the Township Fiscal Officer should submit federal income tax withheld to the Internal Revenue Service on a timely basis.

This matter has been referred to the Internal Revenue Service or whatever action is deemed necessary.

Officials' Response: We did not receive a response from the Officials' to this finding.



Mary Taylor, CPA
Auditor of State

KEENE TOWNSHIP

COSHOCTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2008**