

KEENE TOWNSHIP

Ionia County, Michigan

Financial Statements

And

Independent Auditor's Report

For the Year ended March 31, 2013

KEENE TOWNSHIP

8505 POTTERS ROAD, SARANAC, MI 48881

PHONE: 616-642-9809

POPULATION: 1831

TOWNSHIP BOARD:

Supervisor	Robert Simpson
Clerk	Jean B. Burton
Treasurer	Donna Newell
Trustee	Harvey C. Noon
Trustee	Corey Wojcik

KEENE TOWNSHIP
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INDEPENDENT AUDITOR'S REPORT

July 11, 2013

The Township Board
Keene Township
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keene Township, Ionia County, Michigan, as of and for the year ended March 31, 2013, 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.

Opinions

In our opinion, 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 Keene Township, as of March 31, 2013, and the respective changes in financial position 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 6 - 11 and 26 - 29 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2013, on our consideration of the Keene Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Keene Township's internal control over financial reporting and compliance.

Larry Tiejema CPA

Lawrence Tiejema, PC.

July 11, 2013

Management Discussion and Analysis

Keene Township continued its cleanup day, developed a plan to provide fire and emergency services for its residents, and increased its financial reserves by 6% during the year ended March 31, 2013.

Financial Highlights

- (1) Revenues exceeded expenses by \$15,989 during the year ended March 31, 2013. Net assets increased from \$292,298 to \$308,287, which is 1.67 times the expenses for the year just ended.
- (2) The two largest revenues of the township are state revenue sharing and property tax. These two revenues bring in 96% of the total revenues. During the year just ended, the combined revenue from property taxes and revenue sharing decreased by \$793 from the prior year. However, these amounts will increase if property values continue to rise and the state sales tax collections go up.
- (3) The Township reduced the expense of its property and liability insurance by contracting with Burnham and Flowers for an additional 3 years with a policy that increased its deductible from \$200 to \$500. The premium for the first year is \$3,041 versus \$3,283 for the prior year.
- (4) The Township signed a three-year agreement with the Belding Fire Department to provide emergency services to the northern one-third of the township. The first year calls for a contribution of \$5,104.
- (5) Interest earnings continue to drop. In the year just ended, the township's investments earned \$1,214 compared to \$1,974 during the prior year. As older certificates of deposit mature at higher interest rates, the township has invested in new CD's at lower rates. Four certificates of deposit rolled over during the 2012-2013 fiscal year. The average interest rate of the old certificates was 1.05% while the average rate of the new certificates is .45%.
- (6) The township sponsored a cleanup day on Saturday morning, May 5, 2012. The township paid \$3,558 for the dumpsters, but recovered \$564 from the sale of scrap metal.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township'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 the Township's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 fiscal periods.

Township governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Keene Township has no such activities. All financial resources and expenditures are maintained in the general fund. The township also has a tax agency fund which collects real and personal property taxes and disburses these tax revenues to the appropriate governmental units including Keene Township's general fund. Through its general fund, Keene Township provides for general government, public safety, public works, cemeteries, and planning and zoning. The government-wide financial statements can be found on pages 12 and 13 of this report.

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. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental 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 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 government's 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*.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Keene Township has one fiduciary fund, the Tax Agency Fund. The basic fiduciary fund statements for the tax agency fund can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 18– 25 of this report.

Keene Township's Net Assets

	Governmental Activities	
	Year ended	Year ended
	March 31, 2013	March 31, 2012
Current and other assets	\$ 278,159	\$ 258,997
Capital assets	36,185	40,935
Total assets	314,344	299,932
Long-term liabilities outstanding		
Other liabilities	6,057	7,634
Total liabilities	6,057	7,634
Net assets:		
Invested in capital assets, net of related debt	36,185	40,935
Restricted	-	-
Unrestricted	272,102	251,363
Total net assets	\$ 308,287	\$ 292,298

Net assets increased by \$15,989 as revenues exceeded expenses during the year ended March 31, 2013. The current and other assets referred to above are made up of cash deposits, prepaid expenses, delinquent taxes due from Ionia County, and the township's 2012 property taxes due from the township's Tax Agency Fund. During the year just ended, cash deposits went up by \$19,832 while receivables dropped by \$470 and prepaid expenses decreased by \$200. Prepaid expenses represent yearly expenses like property insurance that are paid in advance of the coverage dates.

Liabilities represent invoices and bills for services and goods that were received before the end of the fiscal year and payment was made during the next fiscal year. Liabilities decreased by \$1,577 as the township accrued an extra ambulance charge during the current year.

Capital assets are made up of building and equipment with an original cost of \$1,000 or more. These capital items are depreciated or expensed over their useful lives. During the year, the township purchased no new capital assets while having depreciation expense of \$4,750. As a result, capital assets dropped from \$40,935 to \$36,185.

Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account expenditures for ambulance and township board functions. These amendments were relatively minor.

Keene Township's Changes in Net Assets

	Governmental Activities	
	<u>Year ended March 31, 2013</u>	<u>Year ended March 31, 2012</u>
Revenue:		
Program revenue:		
Charges for services	\$ 9,902	\$ 9,993
General revenue:		
Property taxes	55,075	54,452
State Sources	133,508	134,923
Other	1,777	5,114
Total revenue	<u>200,262</u>	<u>204,482</u>
Expenses:		
General government	67,388	62,259
Township Board	11,889	11,444
Public safety	28,820	30,558
Public works	60,451	37,468
Planning and Zoning	9,065	9,448
Cemetery	6,660	6,925
Total expenses	<u>184,273</u>	<u>158,102</u>
Increase (decrease) in net assets	<u>15,989</u>	<u>46,380</u>
Net assets - beginning of year	292,298	245,918
Net assets - end of year	<u>\$ 308,287</u>	<u>\$ 292,298</u>

Keene Township had net income of \$15,989 in the year just ended versus \$46,380 as revenues dropped by \$4,220 and expenses rose by \$26,171.

Property tax revenue increased, but revenues dropped in all other categories. Property tax revenue increased by \$623 while state revenue sharing dropped by \$1,415. Due to an increase in population from the 2010, the township received a makeup payment in the prior year. Investment income continued to slide as overall interest rates on new certificates of deposit declined by over 40%. Refunds and rebates were higher in the prior year because the township performed services for its residents on a one-time basis. Charges for services includes fees charged for the sale of cemetery lots, building permits, lot splits, collection of the state education tax, and reimbursement for holding school and state elections. State education collection fees increased by \$267 while school election reimbursements dropped by \$174 and road right-of-way telecom payments decreased by \$106.

General Fund expenses increased by \$26,171 compared to the prior year. Expenses increased for general government, the township board, and public works while going down for public safety, planning and zoning, and cemetery maintenance. General government includes township officers and such vital functions as assessing, elections, township hall maintenance, pension expense, and professional services. Elections expense increased by \$6,753 as the township conducted three elections compared to two smaller elections in the prior year. Township hall expenses increased by \$2,498 as building maintenance increased by \$811 and utilities went up by \$1,568.

Public safety, which decreased in cost by \$1,738, is made up of contributions to local fire departments and ambulance subsidy payments. The township's contribution to the Saranac Fire Department dropped by \$5,628 while payments to Life EMS Ambulance increased by \$3,743. Public works consists of road and drain maintenance. The township spent \$20,591 more in road maintenance and \$2,392 more for drain maintenance. The township increased its expenditure for new gravel by \$17,910 while it spent \$2,450 more for brine applications. The decreases in spending for planning and zoning and cemetery maintenance were relatively small. Cemetery maintenance dropped by \$265 while and zoning decreased by \$383.

**Keene Township's Capital Assets
(net of depreciation)**

Governmental Activities

	Year ended March 31, 2013	Year ended March 31, 2012
Land	\$ 13,795	\$ 13,795
Cemetery improvements	5,994	6,654
Buildings and Improvements	10,625	12,040
Machinery and Equipment	5,771	8,446
Total Assets	\$ 36,185	\$ 40,935

Capital assets consist of buildings and equipment with an original cost of \$1,000 or more. For the purposes of the government-wide financial statements, the expense of these assets are taken over their useful lives. During the year ended March 31, 2013, capital assets decreased by \$4,750 as the township purchased no new capital assets while having \$4,750 in depreciation expense. The most significant capital assets of the township are its township hall, cemetery improvements, and election machines. The township hall was built in 1980 for \$31,160 and improvements of \$16,723 have been added since 1992. The township has made improvements to its two cemeteries including a fence installed at Pinckney Cemetery for \$5,250. The voting machines were obtained from a federal grant in 2006 at a donated value of \$12,320. Depreciation expense of \$8,008 has been taken since then to leave a book value balance of \$4,312.

Year in Review and Future Challenges

The financial outlook of Keene Township has improved during the last two years. Financial reserves have risen by \$62,369 to \$308,287. Property taxes increased during last year after several years of decline. A 10% population increase from 2000 to 2010 should result to increased state revenue sharing as long as the Michigan economy continues to grow and sales tax collections continue to go up.

The township faced several challenges and issues in the prior year. The township worked through the process of determining its financial liability for the purchase of a new pumper by the Saranac Fire Department. The township looked at its cemetery fees for new lots and made some adjustments. The Planning Commission updated the open space section of the zoning ordinance. The township considered the establishment of a special assessment district for the paving of a private road. The township put the Headlee rollback issue on the ballot in November 2012.

Keene Township is a member of a fire association based out of Saranac. The township is a 15% member based on the number of emergency and fire runs that the Saranac Fire Department makes to the township. Originally, the fire department proposed the purchase of a large new pumper truck that would make Keene Township's share approximately \$70,000. A township contribution of \$70,000 for a new truck plus the annual contribution of \$15,000 for operations could reduce Keene Township reserves to an unacceptably low level. After a great deal of consideration, the association decided to obtain a smaller fire truck that would make the Keene Township's contribution \$33,098.

The township has had a concern in recent years regarding its relatively low fees for new cemetery lots at the township's two cemeteries. The concern was that the lower fees could encourage residents outside the township to purchase a great deal of the lots so that less lots would be available for residents. The township decided to raise fees for non-residents from \$250 to \$500 and the fees for residents from \$100 to \$150.

The township board was approached by the residents on the Bella Vista Private Road to establish a special assessment district for the paving of their road. It was determined that such a small project would generate legal and administrative costs of managing the project and putting it on the tax rolls that were too high for the eight residents on this road.

In order to finance improvements to roads and make contributions public safety organizations, the township board placed a vote on the November 2012 ballot to reverse the Headlee reduction which had reduced the township's property tax millage from 1.0 to .6986. Although the proposal was defeated, the township has been able to move forward with a conservative approach to cover its necessary expenses with the existing millage and the other revenue sources.

The township board moves into the current year with new leadership. The new supervisor was just elected in 2012, and a new clerk and treasurer have been appointed to replace the past clerk and treasurer who have resigned after serving the township faithfully for many years. The stewardship of the past supervisor, clerk, and treasurer resulted in the frugal use of the township's financial resources to meet the most important needs of the township's citizens. The new leadership is committed to finding creative solutions to improving the roads, providing good ambulance service, participating in drain improvements, and administering and improving the township's zoning ordinance.

KEENE TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2013

	<u>Governmental Activities</u>
Assets	
Cash and deposits	\$ 218,537
Receivables	
Due from other funds	54,944
Due from other governments	2,776
Prepaid expenses	1,902
Capital assets, net of accumulated depreciation	<u>36,185</u>
Total Assets	<u>314,344</u>
Liabilities	
Accounts payable	<u>6,057</u>
Total Liabilities	6,057
Net Assets	
Invested in capital assets, net of related debt	36,185
Unrestricted net assets	<u>272,102</u>
Total net assets	<u><u>\$ 308,287</u></u>

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Service</u>	<u>Net (Expense) Revenues</u>
Primary government			
Governmental activities:			
General government	\$ 67,388	\$ 4,919	\$ (62,469)
Legislative	11,889	-	(11,889)
Public safety	28,820	-	(28,820)
Public works	60,451	2,823	(57,628)
Planning and Zoning	9,065	1,910	(7,155)
Cemetery	<u>6,660</u>	<u>250</u>	<u>(6,410)</u>
Total government activities	<u>184,273</u>	<u>9,902</u>	<u>(174,371)</u>
Changes in net assets			
Net (expense) revenue			(174,371)
General revenues:			
Property taxes			55,075
State revenues			133,508
Investment earnings			1,214
Other Income			<u>563</u>
Total general revenues			<u>190,360</u>
Change in net assets			15,989
Net assets, beginning of year			<u>292,298</u>
Net assets, end of year			<u>\$ 308,287</u>

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
BALANCE SHEET – GOVERNMENTAL FUNDS
MARCH 31, 2013

ASSETS	GENERAL FUND
Cash and deposits	\$ 218,537
Receivables:	
Due from other funds	54,944
Due from other governments	2,776
TOTAL ASSETS	276,257
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued expenditures:	
Accounts payable	6,057
TOTAL LIABILITIES	6,057
FUND BALANCE	
Unassigned	270,200
TOTAL LIABILITIES AND FUND BALANCE	\$ 276,257

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS:

Fund balance – total governmental funds..... \$ 270,200

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:

Add capital assets.....	96,539
Deduct accumulated depreciation.....	(60,354)

Prepaid expenses are assets to government-wide statements, but they are expensed when paid for governmental funds.....	1,902
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Net assets of governmental activities..... \$ 308,287

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED MARCH 31, 2013

REVENUES:

Property taxes	\$	58,840
State sources		133,508
Charges for services		6,137
Interest		1,214
Other income		563
TOTAL REVENUES		200,262

EXPENDITURES:

General government		63,094
Legislative		11,893
Public safety		28,820
Public works		60,451
Planning and zoning		9,065
Cemetery		6,000
TOTAL EXPENDITURES		179,323

REVENUES OVER EXPENDITURES		20,939
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NET CHANGE IN FUND BALANCES		20,939
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FUND BALANCE, BEGINNING OF YEAR		249,261
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FUND BALANCE, END OF YEAR	\$	270,200
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES:**

Net change in fund balances – total government funds.....	\$	20,939
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:		
Add – Capital Assets acquired and expensed by depreciation.....		-
Deduct – depreciation expense.....		(4,750)
Prepaid expenses are expensed when paid for governmental funds, but they are accrued as an asset for government-wide statements.....		(200)
Change in net assets of government activities.....	\$	15,989

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND -- BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Property taxes	\$ 56,000	\$ 56,000	\$ 58,840	\$ 2,840
State sources	130,000	130,000	133,508	3,508
Charges for services	2,250	2,250	6,137	3,887
Interest	1,450	1,450	1,214	(236)
Other revenue	-	-	563	563
TOTAL REVENUES	<u>189,700</u>	<u>189,700</u>	<u>200,262</u>	<u>10,562</u>
EXPENDITURES				
General government	68,200	68,200	63,094	5,106
Legislative	10,900	11,900	11,893	7
Public safety	26,983	28,983	28,820	163
Public works	67,897	67,897	60,451	7,446
Planning and zoning	9,470	9,470	9,065	405
Cemetery	6,250	6,250	6,000	250
TOTAL EXPENDITURES	<u>189,700</u>	<u>192,700</u>	<u>179,323</u>	<u>13,127</u>
REVENUES OVER (UNDER) EXPENDITURES	-	(3,000)	20,939	20,939
NET CHANGE IN FUND BALANCES	-	(3,000)	20,939	20,939
FUND BALANCE, BEGINNING OF YEAR	249,261	249,261	249,261	-
FUND BALANCE, END OF YEAR	<u>\$ 249,261</u>	<u>\$ 246,261</u>	<u>\$ 270,200</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

KEENE TOWNSHIP
FIDUCIARY FUND
TAX AGENCY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2013

Assets

Cash in bank	\$ 54,944
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Liabilities

Due to other funds	\$ 54,944
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STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

Receipts

Tax Collections	\$ 1,523,764
Interest income	89

Total cash receipts	1,523,853
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Disbursements

Payments to the general fund	55,423
Payments to other governments	1,466,810
Bank Fees	
Tax refunds	2,196
Total cash disbursements	1,524,429

**Total receipts over (under)
disbursements**

(576)

Cash balance at the beginning of the year	55,520
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Cash balance at the end of the year	\$ 54,944
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The accompanying notes are an integral part of these financial statement.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keene Township was organized on April 4, 1842, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, cemetery, public improvements, planning and zoning, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Keene Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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. Keene Township has no business-type activities or funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. 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. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government fund:

General Fund – This fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from real and personal property owners in Keene Township, and the fund’s disbursements to the applicable government entities and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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 this same limitation. The government has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

Investments

Investments are stated at fair value.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

Restricted Assets

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Keene Township has no restrictions on its net assets.

Due To and Due From Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, plant and equipment, are reported for the governmental activities in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Life-Years</u>	Depreciable
Building and structures.....	10 - 40	
Furniture and equipment.....	5 - 15	
Building and lot improvements.....	15	
Machinery and equipment.....	5 - 15	

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other entities in Ionia County; summer taxes are collected for the school districts and the County of Ionia.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Fund Equity

In the fund statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Restrictions of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of Keene Township has no restrictions of its \$270,200 fund equity.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2013, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flower Insurance group.

The insurance limitations are: Township building and contents, \$250,000; Liability, \$3,000,000; Wrongful acts, \$3,000,000. In addition, the Township has inland marine, voting machines and electronic data processing, computer fraud and crime coverage.

2. CASH AND DEPOSITS AND INVESTMENTS

The cash and deposits, investments and restricted assets for the Township are as follows:

Deposits:	General Fund	Tax Agency	Total
Cash and deposits	\$ 109,758	\$ 54,944	\$ 164,702
Investments	<u>108,779</u>	<u>-</u>	<u>108,779</u>
 TOTAL	 \$ 218,537	 \$ 54,944	 \$ 273,481

The carrying amount of the Township's deposits at March 31, 2013, is \$273,481. These deposits are insured by the Federal Deposit Insurance Corporation for up to \$250,000 for each financial institution. Since all the township's deposits were held in one bank, all deposits except \$23,481 were insured on March 31, 2013. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.
4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Keene Township are in Category 1, registered and insured and are deposited in Firstbank West Michigan. The Federal Deposit Insurance Corporation insures these balances up to \$250,000.

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/13</u>
General Fund:		
First Bank West Michigan	General Fund checking account	\$109,758
First Bank West Michigan	General Fund certificates of deposit	108,779
Tax Agency Fund:		
First Bank West Michigan	Operating acct – Tax Agency Fund	<u>54,944</u>
TOTAL DEPOSITED FUNDS		\$ 273,481

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	<u>April 1,</u> <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31,</u> <u>2013</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,795			\$ 13,795
Capital assets, being depreciated:				
Building	31,160	-		31,160
Building improvements	14,153	-	-	14,153
Cemetery improvements	9,900	-	-	9,900
Machinery and equipment	<u>27,531</u>	<u>-</u>	<u>-</u>	<u>27,531</u>
Total assets being depreciated	82,744	-	-	82,744
Less accumulated depreciation for:				
Building	25,084	779	-	25,863
Building improvements	10,673	465	-	11,138
Cemetery improvements	3,246	660	-	3,906
Machinery and equipment	<u>16,601</u>	<u>2,846</u>	<u>-</u>	<u>19,447</u>
Total depreciation charged	55,604	4,750	-	60,354
Total capital assets, being depreciated net	27,140			22,390
Governmental activities capital assets, net of depreciation	<u>\$ 40,935</u>			<u>\$ 36,185</u>

Depreciation expense was charged to functions/programs of the general government as follows:

Supervisor.....	\$ 228
Cemetery.....	660
Clerk and Treasurer.....	748
Assessor.....	467
Township Equipment.....	1,232
Township hall.....	<u>1,415</u>
Total depreciation.....	<u>\$ 4,750</u>

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

4. CONTRIBUTORY PENSION PLAN

Keene Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are the elected officials and zoning administrator. The Township contributes according to the participants compensation in the following manner:

Participants who earn less than \$400	\$ 100
Participants who earn \$400 to \$799	200
Participants who earn \$800 to \$1,999	300
Participants who earn \$1,200 to \$1,599	400
Participants who earn \$1,600 or more	500

No contributions are made by the participants. During the year ended March 31, 2013, the Township contributed \$3,604 for wages paid from April 20, 2011, through April 19, 2012. For the year ended April 19, 2013, the Township has paid and accrued a pension liability of \$3,214 based on compensation paid to the participants.

5. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

6. ESCROW ACCOUNTS

As of March 31, 2013, Keene Township has no escrow accounts. Prior escrow accounts covered the engineering, legal, and professional expenses of Keene Township relating to private road construction, site condominiums, and special use permits.

7. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) other funds representing inter-fund receivable and payable balances at March 31, 2013, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	-	\$ 54,944
Tax Agency Fund	\$ 54,944	-

“Due to” and “due from” balances represent amounts in the tax-agency fund which may be transferred into the general fund.

GENERAL FUND

The General Fund is used to account for government resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, and Planning and Zoning.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2013

	<u>BUDGETED</u>	<u>AMOUNTS</u>		<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES:				
Property taxes				
Current property taxes	\$ 56,000	\$ 56,000	\$ 56,064	\$ 64
Delinquent property taxes	-	-	2,776	2,776
Total taxes	<u>56,000</u>	<u>56,000</u>	<u>58,840</u>	<u>2,840</u>
State sources				
State revenue sharing	130,000	130,000	133,508	3,508
Charges for services:				
Building permits	1,600	1,600	1,810	210
Cemetery sales	150	150	250	100
Lot splits	500	500	100	(400)
Elections reimbursements	-	-	1,154	1,154
Telecom	-	-	2,823	2,823
Total fee revenue	<u>2,250</u>	<u>2,250</u>	<u>6,137</u>	<u>3,887</u>
Investment revenue:				
Interest earnings	<u>1,450</u>	<u>1,450</u>	<u>1,214</u>	<u>(236)</u>
Other income				
Sales of equipment	-	-	-	-
Refunds and rebates	<u>-</u>	<u>-</u>	<u>563</u>	<u>563</u>
	-	-	563	563
TOTAL REVENUES	<u>\$ 189,700</u>	<u>\$ 189,700</u>	<u>\$ 200,262</u>	<u>\$ 10,562</u>

KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE</u> <u>(NEGATIVE)</u>
EXPENDITURES				
General government				
Supervisor	\$ 9,150	\$ 9,150	\$ 9,073	\$ 77
Elections	7,400	7,400	5,521	1,879
Assessor	10,300	10,300	11,001	(701)
Clerk	9,900	9,900	10,031	(131)
Board of review	850	850	915	(65)
Treasurer	12,000	12,000	10,672	1,328
Townhall	11,900	11,900	10,168	1,732
Audit & legal	2,050	2,050	1,926	124
Pension plan	3,800	3,800	3,214	586
Employment taxes	850	850	573	277
Total general government	<u>68,200</u>	<u>68,200</u>	<u>63,094</u>	<u>5,106</u>
Township board	<u>10,900</u>	<u>11,900</u>	<u>11,893</u>	<u>7</u>
Public safety				
Fire department contributions	19,483	19,483	19,462	21
Ambulance	7,500	9,500	9,358	142
Total public safety	<u>26,983</u>	<u>28,983</u>	<u>28,820</u>	<u>163</u>
Public works				
Roads	67,397	67,397	57,764	9,633
Drains	500	500	2,687	(2,187)
Total Public Works	<u>67,897</u>	<u>67,897</u>	<u>60,451</u>	<u>7,446</u>
Planning and zoning				
Zoning administrator	4,880	4,880	4,905	(25)
Zoning board of appeals	200	200	-	200
Planning commission	4,390	4,390	4,160	230
Total Planning and Zoning	<u>9,470</u>	<u>9,470</u>	<u>9,065</u>	<u>405</u>

KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Cemetery	6,250	6,250	6,000	250
TOTAL EXPENDITURES	189,700	192,700	179,323	13,377
REVENUES OVER (UNDER) EXPENDITURES	-	(3,000)	20,939	23,939
NET CHANGE IN FUND BALANCES	-	(3,000)	20,939	23,939
FUND BALANCE, BEGINNING OF YEAR	249,261	249,361	249,261	-
FUND BALANCE, END OF YEAR	\$ 249,261	\$ 246,261	\$ 270,200	-

TAX AGENCY FUND

The Keene Township Tax Agency Fund collects all personal and real property taxes assessed on real and personal property in the township. It disburses these funds to the appropriate governmental entities including school districts, the County of Ionia, and the Township's general fund.

KEENE TOWNSHIP
TAX AGENCY FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

Balance, March 31, 2012		\$ 55,520
<u>Receipts</u>		
Current tax collections		1,523,764
Interest earned		<u>89</u>
Total Receipts		1,523,853
<u>Disbursements</u>		
Belding Public Schools		114,308
Grand Rapids Community College		29,287
Ionia County		652,737
Ionia County Intermediate School District		199,526
Kent County Intermediate School District		76,889
Lowell Area Schools		135,003
Saranac Community Schools		259,060
Keene Township General Fund		55,423
Bank Fees		-
Tax Refunds		<u>2,196</u>
Total Disbursements		1,524,429
Balance, March 31, 2013		<u>\$ 54,944</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 11, 2013

The Township Board
Keene Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Township of Keene, State of Michigan, as of and for the year ended March 31, 2013, which collectively comprise Keene Township's basic financial statements and have issued a report thereon dated July 11, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Keene Township's control over financial reporting as basis for designing my auditing procedures for the purposes of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keene Township's internal control over financial reporting

My 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.

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 misstatements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, I did note two significant deficiencies that are described in the attached schedule as 2013-1 and 2013-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keene Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Larry Tiejema, CPA

Lawrence Tiejema, PC.

July 11, 2013

**DESCRIPTION OF SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL
AND TOWNSHIP'S RESPONSE**

KEENE TOWNSHIP-- YEAR ENDED MARCH 31, 2013

2013-1 -- Significant deficiency:

Township accounting personnel do not prepare the government-wide and funds financial statements and disclosures presented in the audit report. The Township relies on the auditor to prepare the financial statements and disclosures based on the results of the audit. As such, the auditor is in the position of auditing his/her own work.

Township response:

A township official reviews and approves the changes made by the auditor. The township official has a financial understanding of the township such that the official is able to verify that the financial statements and related notes prepared by the auditor faithfully represent the financial position of Keene Township.

2013-2 -- Significant deficiency:

The township's profit and loss statement at the end of the fiscal year did not report the drains-at-large expense of the township. It classified this expense as an office expense of the Treasurer. The control to carefully review the budget-to-actual report was not executed effectively.

Township response:

A budget-to-actual report will be prepared quarterly throughout the coming fiscal year, with an additional budget-to-actual report for the month ending February 2014. Review of the February 2014 budget-to-actual report will be a specific agenda item for the March meeting of the township board.

