

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

AUDIT REPORT

JANUARY 1, 2007 – DECEMBER 31, 2008

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Keene Township
27218 County Road 406
Fresno, Ohio 43824

We have reviewed the *Independent Auditors' Report* of Keene Township, Coshocton County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Keene Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

May 21, 2009

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**KEENE TOWNSHIP
COSHOCTON COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Keene Township, Coshocton County as of and for the years ended December 31, 2008 and 2007. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ending December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Keene Township as of December 31, 2008 and 2007, 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, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 a report dated March 31, 2009, on our consideration of Keene Township's internal control structure over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 31, 2009

**KEENE TOWNSHIP
COSHOCTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 25,457	\$ 47,056	\$ 72,513
Charges for Services	118	-	118
Intergovernmental	75,833	112,701	188,534
Earnings on Investments	3,678	2,902	6,580
Miscellaneous	52	300	352
Total Cash Receipts	<u>105,138</u>	<u>162,959</u>	<u>268,097</u>
Cash Disbursements:			
Current:			
General Government	37,073	-	37,073
Public Works	5,164	88,462	93,626
Health	8,013	200	8,213
Conservation/Recreation	300	-	300
Other	-	1,782	1,782
Total Cash Disbursements	<u>50,550</u>	<u>90,444</u>	<u>140,994</u>
Total Cash Receipts Over/(Under) Cash Disbursements	54,588	72,515	127,103
Fund Cash Balances, January 1	<u>70,163</u>	<u>219,962</u>	<u>290,125</u>
Fund Cash Balances, December 31	<u>\$ 124,751</u>	<u>\$ 292,477</u>	<u>\$ 417,228</u>

See notes to financial statements.

**KEENE TOWNSHIP
COSHOCTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 24,842	\$ 52,804	\$ 77,646
Charges for Services	313	-	313
Intergovernmental	12,753	104,576	117,329
Earnings on Investments	6,364	7,048	13,412
Miscellaneous	345	897	1,242
Total Cash Receipts	<u>44,617</u>	<u>165,325</u>	<u>209,942</u>
Cash Disbursements:			
Current:			
General Government	28,283	-	28,283
Public Works	6,808	227,127	233,935
Health	4,931	615	5,546
Conservation/Recreation	225	-	225
Total Cash Disbursements	<u>40,247</u>	<u>227,742</u>	<u>267,989</u>
Total Cash Receipts Over/(Under) Cash Disbursements	4,370	(62,417)	(58,047)
Fund Cash Balances, January 1	<u>65,793</u>	<u>282,379</u>	<u>348,172</u>
Fund Cash Balances, December 31	<u>\$ 70,163</u>	<u>\$ 219,962</u>	<u>\$ 290,125</u>

See notes to financial statements.

**KEENE TOWNSHIP
COSHOCTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Township of Keene, Coshocton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly elected Fiscal Officer. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance. The Township contracts with Three Rivers Fire District to provide fire and emergency medical services. The Township contracts with the Coshocton 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:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 exceeding the member's deductible

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The certificate of deposit is valued at cost. All other funds are maintained in an interest-bearing checking account.

D. Fund Accounting

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

**KEENE TOWNSHIP
COSHOCTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from 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 receipts for constructing, maintaining and repairing Township roads and bridges.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

A Summary of 2008 and 2007 budgetary activity appears in Note 3.

**KEENE TOWNSHIP
COSHOCTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting

2. EQUITY IN POOLED CASH

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

	2008	2007
Demand Deposits	\$ 417,228	\$ 290,125

Deposits:

Deposits are either 1) insured by the Federal Depository Insurance Corporation or 2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 was as follows:

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 41,877	\$ 105,138	\$ 63,261
Special Revenue	166,304	162,959	(3,345)
Total	\$ 208,181	\$ 268,097	\$ 59,916

2008 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 50,550	\$ (50,550)
Special Revenue	-	90,444	(90,444)
Total	\$ -	\$ 140,994	\$ (140,994)

**KEENE TOWNSHIP
COSHOCTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (CONTINUED)

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 38,594	\$ 44,617	\$ 6,023
Special Revenue	<u>161,952</u>	<u>165,325</u>	<u>3,373</u>
Total	<u>\$ 200,546</u>	<u>\$ 209,942</u>	<u>\$ 9,396</u>

2007 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 40,247	\$ (40,247)
Special Revenue	<u>-</u>	<u>227,742</u>	<u>(227,742)</u>
Total	<u>\$ -</u>	<u>\$ 267,989</u>	<u>\$ (267,989)</u>

Contrary to ORC Section 5705.36, the Township had several funds in which appropriations were greater than unencumbered balance plus actual receipts which should have resulted in getting a new certificate of estimated resources.

Contrary to Ohio Revised Code Section 5705.38, the legislative authority of the Township did not formally approve or file appropriations for 2008 and 2007.

Contrary to Ohio Revised Code Section 5705.41 (B), all funds had expenditures exceeding appropriations in 2008 and 2007.

Contrary to ORC Section 5705.41(D), the Township had 2 expenditures where the invoice was dated prior to the fiscal certificate.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the county by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

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

**KEENE TOWNSHIP
COSHOCTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

5. RETIREMENT SYSTEMS

The Township's Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members of PERS contributed 10.0% and 9.5% of their gross salaries, respectively. The Township contributed an amount equal to 14.00% and 13.85% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2008.

6. THREE RIVERS FIRE DISTRICT

The Three Rivers Fire District is a body corporate and politic 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 appointments 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 Coshocton County directly to the District.

7. 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
COSHOCTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT (CONTINUED)

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, The Travelers Indemnity Company 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 value. 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 township.

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, 2008 and 2007, the latest information available.

	2007	2006
Assets	\$ 43,210,703	\$ 43,210,703
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	\$ 29,852,866	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$7,982. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph.

Based on discussion 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. The Townships contributions to OTARMA for the past two years are as follows:

**KEENE TOWNSHIP
COSHOCTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT (CONTINUED)

Contributions to OTARMA

2006	\$ 4,992
2007	\$ 4,186
2008	\$ 3,991

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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

We have audited the financial statements of Keene Township, Coshocton County as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated March 31, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keene 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 was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, identified as 2008-001 to 2008-002 and 2008-005 to 2008-006 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-001 to 2008-002 and 2008-006 to be material weaknesses.

We also noted other matters involving internal control over financial reporting, which we have reported to management of Keene Township in a separate letter dated March 31, 2009

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keene Township's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as items 2008-003 to 2008-006. We also noted certain immaterial instances of noncompliance that we have reported to the management of Keene Township in a separate letter dated March 31, 2009.

Keene Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Keene Township's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 31, 2009

**KEENE TOWNSHIP
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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

FINDING NUMBER 2008-001

Significant Deficiency / 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 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.

Client Response: The Fiscal Officer will provide the necessary reports and have the Trustees review and approve.

FINDING NUMBER 2008-002

Significant Deficiency / Material Weakness

Proper Classification of Receipts and Expenditures

The testing of receipts and expenditures revealed that four items were not properly classified by the Township Fiscal Officer. All of these items required reclassification. Items requiring reclassification included Property and Other Local Taxes, Intergovernmental Receipts, General Government and Public Works.

The Township Fiscal Officer should review the account code classifications in the UAN system and the "Ohio Township Handbook" chart of accounts and post receipts and expenditures to the proper line item account codes and fund. This will help ensure receipts and expenditures are properly reflected in the financial statements. In addition, fairly presented financial statements provide the Township Trustees with the ability to analyze information in a consistent manner which aids in making informed financial decisions regarding Township operations.

Monthly comparisons of budgeted and actual revenue and expenditures for all funds should be presented to the Board to allow for monitoring of fiscal operations of the Township. The Board of Trustees should review these reports for significant variances from expectations.

Client Response: The Fiscal Officer will review the account code classification in the UAN system.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Revised Code Section 507.04(B) requires the township fiscal officer keep an accurate record of the proceedings of the board of trustees at all of its meetings, and of all its accounts and transactions. **Ohio Revised 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 2008 and 2007, 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. The Township should ensure their official minute records are full and accurate and state sufficient and details 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.

Client Response: We agree with finding and will try to improve in the future.

FINDING NUMBER 2008-004

Noncompliance Citation

Ohio Revised 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 Revised Code Section 5575.01**.

During 2008 and 2007, 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.

Client Response: We agree with finding and will try to improve in the future.

FINDING NUMBER 2008-005

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.38 (A) states, in part, that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st.

The Township did not formally approve and certify their appropriation measure for 2008 and 2007. Expenditures in 2008 and 2007 in the amounts of \$140,994 and \$267,989, respectively, were made without any formal approval.

We recommend the Board of Trustees approve, and certify to the County Auditor, the annual appropriation measure on or near January 1st of each year. If the Board of Trustees chooses to postpone passage of this measure until receipt of an Official Certificate of Estimated Resources, temporary appropriations should be approved by the Board of Trustees.

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

FINDING NUMBER 2008-006

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During 2008 and 2007, all Township funds had expenditures which exceeded approved appropriations at the legal level of control.

The Township did not formally approve and certify their appropriation measure for 2008 and 2007; therefore expenditures in all funds exceeded appropriations by \$140,994 and \$267,989, respectively.

The Township Fiscal Officer should deny any payment requests exceeding appropriations. We recommend the Township Fiscal Officer and Board of Trustees compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

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

**KEENE TOWNSHIP
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Board of Trustees Financial Statement & Reconciliation Review	No	Not Corrected - Refer to Finding 2008-001.
2006-002	Monitoring Budgetary Amounts	Yes	Finding No Longer Valid.
2006-003	Classification of Receipts and Expenditures	No	Not Corrected - Refer to Finding 2008-002.
2006-004	ORC 5705.40 Amending Appropriations	Yes	Finding No Longer Valid.
2006-005	ORC 507.04(A) Accurate Minutes for Trustee Meetings	No	Not Corrected - Refer to Finding 2008-003.
2006-006	ORC 5549.21 Bidding Expenditures Exceeding \$25,000	No	Not Corrected - Refer to Finding 2008-004.
2006-007	26 U.S.C. Section 3402 Withholding Federal Income Tax	Yes	Finding No Longer Valid.



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
JUNE 4, 2009