

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date		Date Audit Report Submitted to State			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Sharon L. Vargo</i>		Printed Name		License Number

**Township of Keeler
Van Buren County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2007**

Township of Keeler

Contents

Report Letter	I
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Statement of Revenue, Expenditures, and Changes in Fund Balances	9
Notes to Financial Statements	10-17
Required Supplemental Information	18
Budgetary Comparison Schedule - General Fund	19
Note to Required Supplemental Information	20



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Independent Auditor's Report

To the Members of the Township Board
Township of Keeler, Michigan

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the Small Cities Fund of Township of Keeler as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Keeler's management. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the Small Cities Fund of the Township of Keeler as of March 31, 2007 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplementary information, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

July 9, 2007

Township of Keeler

Management's Discussion and Analysis

Our discussion and analysis of the Township of Keeler, Michigan's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in the management's discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

- The Township's total net assets increased by approximately \$68,000. This is partly due to an increase in investment income of approximately \$19,600. In addition, the Township collected summer taxes on behalf of the County, for which it received additional administrative fees of approximately \$9,000, and a new special assessment weed district generated approximately \$22,000 of additional revenue.
- Township funds are mainly derived from state-shared revenue and property tax collections. Undesignated General Fund fund balance increased by approximately \$39,000, mainly due to decreased road improvement expenditures and the increases in revenue mentioned above.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Keeler

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a comparative, condensed format, the net assets as of March 31, 2007 as compared to the prior two years:

	Governmental Activities		
	2007	2006	2005
Assets			
Current assets	\$ 999,982	\$ 906,702	\$ 857,582
Noncurrent assets	<u>8,461,165</u>	<u>8,747,370</u>	<u>9,082,638</u>
Total assets	9,461,147	9,654,072	9,940,220
Liabilities			
Current liabilities	344,827	349,711	74,674
Long-term liabilities	<u>3,332,875</u>	<u>3,589,250</u>	<u>4,102,000</u>
Total liabilities	<u>3,677,702</u>	<u>3,938,961</u>	<u>4,176,674</u>
Net Assets			
Invested in capital assets	198,383	209,790	222,606
Restricted	3,403,551	3,577,094	3,779,298
Unrestricted	<u>2,181,511</u>	<u>1,928,227</u>	<u>1,761,642</u>
Total net assets	<u>\$ 5,783,445</u>	<u>\$ 5,715,111</u>	<u>\$ 5,763,546</u>

Governmental net assets increased by approximately \$68,000 during the fiscal year ended March 31, 2007. The Township's overall financial health remains strong. The Township has been able to pursue projects as planned and budgeted.

Township of Keeler

Management's Discussion and Analysis (Continued)

The following table shows, in a comparative, condensed format, the changes of the net assets for the year ended March 31, 2007 as compared to the prior two years:

	Governmental Activities		
	2007	2006	2005
Revenue			
Program revenue:			
Charges for services	\$ 42,392	\$ 54,921	\$ 45,906
Capital grants and contributions	173,533	188,522	266,007
General revenue:			
Property taxes	383,275	276,373	292,006
State-shared revenue	177,470	176,184	174,497
Unrestricted investment earnings	36,833	17,269	5,746
Miscellaneous	67,175	126,320	52,984
Total revenue	880,678	839,589	837,146
Program Expenses			
General government	228,453	238,685	196,810
Public safety	286,713	265,050	202,057
Public works	146,245	213,035	197,037
Community and economic development	8,119	8,130	10,143
Cemetery	8,902	11,325	10,222
Interest on long-term debt	133,912	151,799	172,373
Total program expenses	812,344	888,024	788,642
Change in Net Assets	\$ 68,334	\$ (48,435)	\$ 48,504

Governmental Activities

- The Township spent \$73,593 on street improvement projects including seal coating, adding gravel to existing gravel roads, and spraying for dust control.
- The Township spent \$23,781 on capital assets, all of which was public safety equipment. The Township purchased a used rescue truck, communications equipment, and various fire department safety clothing.

Township of Keeler

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

The General Fund pays for most of the Township's governmental services. The primary services provided include police and fire services, administrative services, and various public services.

As shown in the required supplemental information, the Township originally budgeted operational expenditures of \$781,129. During the course of the year, the Township amended the budget and budgeted expenditures of \$728,358. Actual operating results ended with a surplus of \$93,165. Budget to actual differences were favorable in most activities.

Capital Asset and Debt Administration

The Township continued making payments on general obligation bonds incurred to construct a sanitary sewer system.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for the next fiscal year reflects another decrease in state-shared revenue. Current economic conditions in the state of Michigan have put statutory revenue sharing at risk of being reduced. The board has adopted a conservative budget that estimates using \$133,000 of current fund balance, but also facilitates community priorities and quality services.

The Township plans on future improvements to the Township Hall. The Township designated approximately \$200,000 of existing fund balance for future building improvements in fiscal 2007.

The Township has also planned a number of other projects including seal coating of county roads within the Township using both Township and County funds.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township clerk.

Township of Keeler

Statement of Net Assets March 31, 2007

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 908,435
Receivables:	
Property taxes receivable	91,547
Special assessments receivable	3,221,522
Investment in joint venture (Note 9)	5,041,260
Capital assets - Net (Note 5)	<u>198,383</u>
Total assets	9,461,147
Liabilities	
Accounts payable	28,935
Due to other governmental units	59,517
Noncurrent liabilities (Note 7):	
Due within one year	256,375
Due in more than one year	<u>3,332,875</u>
Total liabilities	<u>3,677,702</u>
Net Assets	
Invested in capital assets - Net of related debt	198,383
Restricted for:	
Joint venture debt repayment	3,221,522
Public purposes	182,029
Unrestricted	<u>2,181,511</u>
Total net assets	<u><u>\$ 5,783,445</u></u>

Township of Keeler

Statement of Activities Year Ended March 31, 2007

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Capital Grants and Contributions	
Primary government - Governmental activities:				
General government	\$ 228,453	\$ 41,192	\$ -	\$ (187,261)
Public safety	286,713	-	-	(286,713)
Public works	88,201	-	173,533	85,332
Investment in joint venture	58,044	-	-	(58,044)
Community and economic development	8,119	1,200	-	(6,919)
Cemetery	8,902	-	-	(8,902)
Interest on long-term debt	133,912	-	-	(133,912)
Total primary government	<u>\$ 812,344</u>	<u>\$ 42,392</u>	<u>\$ 173,533</u>	(596,419)
General revenues:				
Property taxes				383,275
State-shared revenue				177,470
Unrestricted investment income				36,833
Miscellaneous				67,175
Total general revenues				<u>664,753</u>
Change in Net Assets				68,334
Net Assets - Beginning of year				<u>5,715,111</u>
Net Assets - End of year				<u>\$ 5,783,445</u>

Township of Keeler

Governmental Funds Balance Sheet March 31, 2007

	General Fund	Small Cities Fund	Total
Assets			
Cash and cash equivalents (Note 4)	\$ 826,103	\$ 82,332	\$ 908,435
Receivables:			
Property taxes receivable	91,547	-	91,547
Special assessments receivable	3,221,522	-	3,221,522
Total assets	\$ 4,139,172	\$ 82,332	\$ 4,221,504
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 28,935	\$ -	\$ 28,935
Due to other governmental units	59,517	-	59,517
Deferred revenue (Note 6)	3,221,522	-	3,221,522
Total liabilities	3,309,974	-	3,309,974
Fund Balances			
Reserved for:			
Cemetery maintenance	15,314	-	15,314
Public access improvements	30,256	-	30,256
Weed control	36,727	-	36,727
Housing grants	-	82,332	82,332
Roads and street lights	17,400	-	17,400
Unreserved:			
Designated for fire equipment, building improvements, and road improvements	497,923	-	497,923
Undesignated	231,578	-	231,578
Total fund balances	829,198	82,332	911,530
Total liabilities and fund balances	\$ 4,139,172	\$ 82,332	\$ 4,221,504

Township of Keeler

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2007

	General Fund	Small Cities Fund	Total
Revenue			
Property taxes	\$ 383,275	\$ -	\$ 383,275
State-shared revenue and grants	177,470	-	177,470
Other charges for services	42,392	-	42,392
Investment income	36,833	-	36,833
Other revenue:			
Special assessments	390,287	-	390,287
Other miscellaneous income	62,176	4,999	67,175
Total revenue	1,092,433	4,999	1,097,432
Expenditures			
General government	219,629	-	219,629
Public safety	284,130	-	284,130
Public works	88,201	-	88,201
Community and economic development	8,119	-	8,119
Cemetery	8,902	-	8,902
Debt service	390,287	-	390,287
Total expenditures	999,268	-	999,268
Net Change in Fund Balances	93,165	4,999	98,164
Fund Balances - Beginning of year	736,033	77,333	813,366
Fund Balances - End of year	\$ 829,198	\$ 82,332	\$ 911,530

Township of Keeler

Notes to Financial Statements March 31, 2007

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Township of Keeler, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Keeler, Michigan:

Reporting Entity

The Township of Keeler, Michigan is governed by an elected five-member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Township has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. The Township has no business-type activities.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Township reports the following major governmental fund:

General Fund - The General 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:

Special Revenue Fund - Small Cities Fund - The Special Revenue Fund is used to account for the proceeds of earmarked revenues or financing activities requiring separate accounting because of legal or regulatory provisions.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 ad valorem tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled approximately \$106.3 million, on which ad valorem taxes levied consisted of 0.6823 mills for operating purposes, 0.8488 mills for roads, and 0.6365 mills for police. An additional 0.2831 mills was levied for street lights on a taxable valuation of approximately \$54.0 million. This resulted in approximately \$72,600 for operating, \$90,300 for roads, \$67,700 for police, and \$15,300 for street lights. These amounts are recognized in the General Fund financial statements as tax revenue.

Township of Keeler

Notes to Financial Statements March 31, 2007

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The related expenditures for roads totaled \$73,593, the expenditures for police totaled \$73,592, and the expenditures for street lights totaled \$14,608. All amounts collected in previous years were expended in those years.

Assets, Liabilities, and Net Assets or Equity

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Township 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 recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and building improvements	25-50 years
Vehicles	15-20 years
Equipment	5-10 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Keeler

Notes to Financial Statements March 31, 2007

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balance and the net change in fund balance of the Township's governmental funds differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental funds balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

Total Fund Balances - Modified Accrual Basis	\$ 911,530
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	198,383
Investment in joint venture is not a financial resource and not reported in the funds	5,041,260
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	3,221,522
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(3,589,250)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 5,783,445</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 98,164
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Current year capital additions	23,781
Current year allocation of depreciation	(35,188)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(216,754)
Decrease in investment in joint venture reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	(58,044)
Principal payments on long-term liabilities are expensed on the fund statements	<u>256,375</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 68,334</u>

Township of Keeler

Notes to Financial Statements March 31, 2007

Note 3 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at April 1, 2006	\$ (12,046)
Current year building permit revenue	41,192
Related expenses - Direct costs	<u>(45,525)</u>
Cumulative shortfall at March 31, 2007	<u>\$ (16,379)</u>

Note 4 - Deposits and Investments

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

The Township has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$816,929 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Township of Keeler

Notes to Financial Statements March 31, 2007

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

Governmental Activities	Balance April 1, 2006	Additions	Balance March 31, 2007
Capital assets not being depreciated - Land	\$ 27,889	\$ -	\$ 27,889
Capital assets being depreciated:			
Land improvements	57,139	-	57,139
Building and improvements	98,231	-	98,231
Vehicles and equipment	429,311	23,781	453,092
Subtotal	584,681	23,781	608,462
Accumulated depreciation:			
Land improvements	52,564	428	52,992
Buildings and improvements	52,984	2,097	55,081
Vehicles and equipment	297,232	32,663	329,895
Subtotal	402,780	35,188	437,968
Net capital assets being depreciated	181,901	(11,407)	170,494
Net capital assets	<u>\$ 209,790</u>	<u>\$ (11,407)</u>	<u>\$ 198,383</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 8,824
Public safety	26,364
Total governmental activities	<u>\$ 35,188</u>

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$ 3,221,522</u>	<u>\$ -</u>

Township of Keeler

Notes to Financial Statements March 31, 2007

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental activities - Sister Lakes Area Utilities Authority	4%-6%	12/31/2021	\$ 3,845,625	\$ (256,375)	\$ 3,589,250	\$ 256,375

The Sister Lakes Area Utilities Authority bonds represent financing of sewer improvements by the Sister Lakes Area Utilities Authority (the "Authority") that benefit specific districts (see Note 9); these districts are specially assessed, at least in part, for the cost of the improvements. At March 31, 2007, there is \$3,221,522 of special assessments receivable to cover the Township's portion of the debt.

Annual debt service requirements to maturity for the above bonds are as follows:

	Principal	Interest	Total
2008	\$ 256,375	\$ 162,670	\$ 419,045
2009	256,375	152,223	408,598
2010	256,375	141,411	397,786
2011	256,375	130,238	386,613
2012	256,375	118,830	375,205
2013-2017	1,281,875	413,661	1,695,536
2018-2021	1,025,500	102,550	1,128,050
Total	\$ 3,589,250	\$ 1,221,583	\$ 4,810,833

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all of those types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Keeler

Notes to Financial Statements March 31, 2007

Note 9 - Joint Venture

In September 2000, the Township became a participant with the Township of Silver Creek in a joint venture to acquire, own, improve, enlarge, extend, and operate a water supply system, a sewage disposal system, or a solid waste management system for the residents of these communities. The Sister Lakes Area Utilities Authority was created for that purpose. Upon dissolution of the Authority, the net assets will be split, with approximately 40 percent to the Township of Keeler and 60 percent to Silver Creek Township.

The Sister Lakes Area Utilities Authority is governed by a board of five members consisting of two members each from Keeler and Silver Creek townships and the city manager of the City of Dowagiac (provider of the service).

In May 2001, Van Buren County issued bonds totaling \$11,625,000 for construction of the system. The Township has pledged its full faith and credit for repayment of 41.02 percent of this debt.

Complete financial statements for the Authority can be obtained at the Keeler Township Hall.

Required Supplemental Information

Township of Keeler

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 364,700	\$ 436,398	\$ 383,275	\$ (53,123)
State-shared revenue and grants	160,000	177,470	177,470	-
Other charges for services	42,000	50,613	42,392	(8,221)
Investment income	1,500	10,675	36,833	26,158
Other revenue	54,400	45,019	62,176	17,157
Total revenue	622,600	720,175	702,146	(18,029)
Expenditures				
General government:				
Township board	154,200	134,416	115,653	18,763
Supervisor	45,400	45,998	45,799	199
Treasurer	24,300	21,063	20,900	163
Board of Review	1,800	785	280	505
Clerk	21,000	19,650	19,650	-
Elections	4,500	7,367	8,722	(1,355)
Buildings and grounds	14,000	8,227	8,625	(398)
Public safety:				
Police department	88,000	85,711	73,592	12,119
Fire department	188,100	160,248	165,013	(4,765)
Building inspections and related	109,529	136,166	45,525	90,641
Public works:				
Road commission	90,000	73,593	73,593	-
Street lighting	14,700	14,570	14,608	(38)
Community and economic development:				
Planning commission	10,900	8,221	6,566	1,655
Zoning board/Zoning board of appeals	1,800	1,941	1,553	388
Cemetery	12,900	10,402	8,902	1,500
Total expenditures	781,129	728,358	608,981	119,377
Net Change in Fund Balance	(158,529)	(8,183)	93,165	101,348
Fund Balance - Beginning of year	736,033	736,033	736,033	-
Fund Balance - End of year	\$ 577,504	\$ 727,850	\$ 829,198	\$ 101,348

Township of Keeler

Note to Required Supplemental Information Year Ended March 31, 2007

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, except that special assessment revenue and the related debt service activity are not budgeted. Since the special assessment and debt service activity related to Sister Lakes Area Utilities Authority is merely a pass-through and does not relate to the primary operations of the Township, the activity has been reported net on the budget statement. All annual appropriations lapse at fiscal year end.

The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, Keeler Township incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Fire department	\$ 160,248	\$ 165,013

July 9, 2007

To the Members of the Township Board
Keeler Township
Hartford, Michigan 49057

Dear Board Members:

In planning and performing our audit of the financial statements of Keeler Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Bank Reconciliation Procedures

During the audit, we noted that deposits for the months of September 2006 through December 2006 were mistakenly recorded in Quickbooks as calendar 2007 deposits. This caused the bank reconciliations for September 2006 through March 2007 to be in error. We recommend that the Township board implement an independent review of monthly bank reconciliations, including a comparison of the "register balance" on the bank reconciliation to the checking account balance in Quickbooks. This procedure will add an additional level of internal controls and also help to identify data entry errors in a timely manner.

Audit Entries

Adjustments were identified by Plante & Moran during the audit as follows: adjust taxes receivable from the County, adjust interest income, adjust special assessments receivable and related deferred revenue, adjust accounts payable, and adjust investment in the Sister Lakes Area Utilities Authority.

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

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon L. Vargo, CPA