



Mary Taylor, CPA
Auditor of State

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

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WASHINGTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dunham Township
Washington County
800 Lake Road
Belpre, Ohio 45714

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dunham Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, 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'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 and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dunham Township, Washington County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Special Fire Levy and Permissive Sales Tax Funds thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

April 13, 2007

Dunham Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis of Dunham Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006 and 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$25,131, or 25 percent, a significant change from the prior year. The fund realizing the increase the most was the Road and Bridge Fund. In the Road and Bridge Fund the Township had Cash and Cash Equivalents of \$18,604 in 2005 and of \$30,755 in 2006.

The Township's receipts are primarily property tax and intergovernmental revenues. These receipts represent respectively \$444,025 and 91 percent of the total cash received for governmental activities during the year. Intergovernmental receipts for 2006 increased from 2005 as the Township received more money for its public works commission project for the repaving of the Township roads.

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$2,637, or 3 percent. The fund realizing the decrease the most was the Road and Bridge Fund. The Township purchased a truck in 2005 that was paid out of the Road and Bridge Fund.

The Township's receipts are primarily property tax and intergovernmental revenues. These receipts represent respectively \$392,293 and 89 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Dunham Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities. Most of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not

Dunham Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Special Fire Levy Fund, Permissive Sales Tax Fund, 1994 Ford Truck Loan Fund, Case 850 SM Tractor Fund, and the Public Works Commission Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 and 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2006	2005	2004
Assets			
Cash and Cash Equivalents	\$121,335	\$96,204	\$98,842
Investments	5,000	5,000	5,000
Total Assets	\$126,335	\$101,204	\$103,842
Net Assets			
Restricted for:			
Debt Service	\$4,491	\$4,491	\$266
Permanent Fund Purpose:			
Expendable	370	127	0
Nonexpendable	12,550	12,550	12,872
Other Purposes	86,440	64,437	74,238
Unrestricted	22,484	19,599	16,466
Total Net Assets	\$126,335	\$101,204	\$103,842

As mentioned previously, net assets of governmental activities increased \$25,131 or 25 percent during 2006. The primary reasons contributing to the increase was the Township did not spend as much on road projects in 2006 that was paid out of the Road and Bridge Fund.

Net assets of governmental activities decreased \$2,638, or 3 percent during 2005. The Township purchased a truck in 2005 that was paid out of the Road and Bridge Fund.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities.

Dunham Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$400	\$1,550
Operating Grants and Contributions	134,796	114,938
Capital Grants and Contributions	90,078	65,553
Total Program Receipts	<u>225,274</u>	<u>182,041</u>
General Receipts:		
Property Taxes	165,446	161,311
Grants and Entitlements Not Restricted to Specific Programs	53,705	50,491
Other Debt Proceeds	40,300	45,886
Interest	824	753
Miscellaneous	2,965	2,493
Total General Receipts	<u>263,240</u>	<u>260,934</u>
Total Receipts	<u>488,514</u>	<u>442,975</u>
Disbursements:		
General Government	56,854	48,271
Public Safety	36,868	36,941
Public Works	207,894	216,494
Health	10,290	10,651
Capital Outlay	133,161	133,255
Debt Service:		
Principal Retirement	14,059	
Interest and Fiscal Charges	4,257	
Total Disbursements	<u>463,383</u>	<u>445,612</u>
Increase (Decrease) in Net Assets	25,131	(2,637)
Net Assets, January 1	101,204	103,841
Net Assets, December 31	<u>\$126,335</u>	<u>\$101,204</u>

In 2006, program receipts represent only 46 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money and public works commission money.

In 2005, program receipts represent only 41 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money and public works commission money.

In 2006, general receipts represent 54 percent of the Township's total receipts, and of this amount, over 63 percent are property tax receipts. Grants and entitlements and other debt proceeds make up the balance of the Township's general receipts (36 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

In 2005, general receipts represent 59 percent of the Township's total receipts, and of this amount, over 62 percent are property tax receipts. Grants and entitlements and other debt proceeds make up the balance of the Township's general receipts (37 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
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Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include, but aren't limited to, the costs of trustee and clerk salaries, medical costs, insurances, retirement, and utilities. Public Safety is the cost of fire protection; Public Works is the general maintenance as well as repair of roads; Health is health services; Capital Outlay is the cost of equipment purchased by the Township and Debt Service is the payment of the debt of the Township.

Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented for 2005-2004.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 20, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works and Capital Outlay, which account for 45 and 29 percent of all governmental disbursements, respectively for 2006. The major program disbursements for governmental activities are for Public Works and Capital Outlay, which account for 49 and 30 percent of all governmental disbursements, respectively for 2005. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$56,854	\$56,854	\$48,271	\$48,271
Public Safety	\$36,868	\$36,868	\$36,941	\$31,603
Public Works	207,894	(16,980)	216,494	41,341
Health	10,290	10,290	10,651	9,951
Conservation-Recreation	0	(400)	0	(850)
Capital Outlay	133,161	133,161	133,255	133,255
Principal Retirement	14,059	14,059	0	0
Interest and Fiscal Charges	4,257	4,257	0	0
Total Expenses	\$463,383	\$238,109	\$445,612	\$263,571

The dependence upon property tax and grants and entitlement receipts is apparent as over 51 percent of governmental activities are supported through these general receipts in 2006.

The dependence upon property tax and grants and entitlement receipts is apparent as over 59 percent of governmental activities are supported through these general receipts in 2005.

Dunham Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

The Government's Funds

For 2006 total governmental funds had receipts of \$448,211 and disbursements of \$463,380. The greatest change within governmental funds occurred within the Road and Bridge Fund. The fund balance of the Road and Bridge Fund increased \$12,151 because the Township spent more on road projects from this fund in 2005.

For 2005 total governmental funds had receipts of \$397,088 and disbursements of \$445,611. The greatest change within governmental funds occurred within the Road and Bridge Fund. The fund balance of the Road and Bridge Fund decreased \$20,550 because the Township purchased a truck with monies from this fund in 2005.

Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2006, the Township amended its budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts in the Road and Bridge Fund due to unexpected slow growth in tax receipts. However, final budgeted receipts were above original budgeted receipts in the General Fund, Gasoline Tax Fund and Special Fire Levy Fund. The difference between final budgeted receipts and actual receipts was not significant.

During 2006 final disbursements were budgeted at \$89,767 for the General Fund, \$96,309 for the Gasoline Tax Fund, \$107,500 for the Road and Bridge Fund and \$64,186 for the Special Fire Levy Fund while actual disbursements were \$68,001 for the General Fund, \$85,234 for the Gasoline Tax Fund, \$118,237 for the Road and Bridge Fund and \$36,867 for the Special Fire Levy Fund. The Township kept spending close to budgeted receipts as evidenced by an increase in fund balances of \$2,885 for the General Fund, \$3,522 for the Gasoline Tax Fund, \$12,151 for the Road and Bridge Fund and \$6,368 for the Special Fire Levy Fund.

During 2005, the Township amended its budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts in the General Fund, Gasoline Tax Fund and Road and Bridge Fund due to unexpected growth in tax and intergovernmental receipts. The difference between final budgeted receipts and actual receipts was not significant.

During 2005 final disbursements were budgeted at \$81,466 in the General Fund, \$76,876 in the Gasoline Tax Fund, \$131,654 in the Road and Bridge Fund, \$58,754 in the Special Fire Levy Fund and \$47,670 in the Permissive Sales Tax Fund, while actual disbursements were \$69,552 in the General Fund, \$74,842 in the Gasoline Tax Fund, \$167,079 in the Road and Bridge Fund, \$36,941 in the Special Fire Levy Fund and \$23,032 in the Permissive Sales Tax Fund. Although receipts in the Road and Bridge Fund failed to live up to expectations, appropriations were not reduced. The result is the decrease in fund balance of \$20,550. For the other funds the Township kept spending close to budgeted receipts as evidenced by an increase in fund balances of \$3,133 in the General Fund, \$2,233 in the Gasoline Tax Fund and \$5,516 in the Special Fire Levy Fund.

Debt Administration

At December 31, 2006, the Township's outstanding debt included \$72,127 in promissory notes issued for the purchase of a backhoe, a Massey Ferguson tractor and a mower. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

Dunham Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township. We have reduced spending on supplies.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carolyn Brizendine, Township Clerk, Dunham Township, 800 Lake Road, Belpre, Ohio 45714.

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**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 121,335
Investments	5,000
<i>Total Assets</i>	\$ 126,335
 Net Assets:	
Restricted for:	
Debt Service	\$ 4,491
Permanent Fund Purpose	
Expendable	370
Nonexpendable	12,550
Other Purposes	86,440
Unrestricted	22,484
<i>Total Net Assets</i>	\$ 126,335

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
General Government	\$ 56,854	\$	\$	\$ (56,854)	
Public Safety	36,868			(36,868)	
Public Works	207,894		134,796	16,980	
Health	10,290			(10,290)	
Conservation-Recreation		400		400	
Capital Outlay	133,161			(133,161)	
Debt Service:					
Principal Retirement	14,059			(14,059)	
Interest and Fiscal Charges	4,257			(4,257)	
<i>Total Governmental Activities</i>	\$ 463,383	\$ 400	\$ 134,796	\$ 90,078	(238,109)
		General Receipts:			
		Property Taxes Levied for:			
		General Purposes		165,446	
		Grants and Entitlements not Restricted to Specific Programs		53,705	
		Other Debt Proceeds		40,300	
		Interest		824	
		Miscellaneous		2,965	
		<i>Total General Receipts</i>		263,240	
		<i>Change in Net Assets</i>		25,131	
		Net Assets Beginning of Year		101,204	
		Net Assets End of Year		\$ 126,335	

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

DUNHAM TOWNSHIP
WASHINGTON COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 22,484	\$ 22,631	\$ 30,755	\$ 28,138	\$ 17,327	\$ 121,335
Investments					5,000	5,000
<i>Total Assets</i>	<u>\$ 22,484</u>	<u>\$ 22,631</u>	<u>\$ 30,755</u>	<u>\$ 28,138</u>	<u>\$ 22,327</u>	<u>\$ 126,335</u>
Fund Balances:						
Reserved:						
Reserved for Permanent Fund Purpose	\$	\$	\$	\$	\$ 12,550	\$ 12,550
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	22,484					22,484
Special Revenue Funds		22,631	30,755	28,138	4,916	86,440
Debt Service Fund					4,491	4,491
Permanent Fund					370	370
<i>Total Fund Balances</i>	<u>\$ 22,484</u>	<u>\$ 22,631</u>	<u>\$ 30,755</u>	<u>\$ 28,138</u>	<u>\$ 22,327</u>	<u>\$ 126,335</u>

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

DUNHAM TOWNSHIP
WASHINGTON COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Public Works Commission Projects	Other Governmental Funds	Total Governmental Funds
Receipts:							
Property and Other Local Taxes	\$ 33,512	\$	\$ 75,493	\$ 38,125	\$	\$ 18,316	\$ 165,446
Licenses, Permits and Fees						400	400
Intergovernmental	36,278	88,606	12,316	5,110	90,078	46,190	278,578
Interest	411	150				262	823
Other	685		2,279				2,964
<i>Total Receipts</i>	<u>70,886</u>	<u>88,756</u>	<u>90,088</u>	<u>43,235</u>	<u>90,078</u>	<u>65,168</u>	<u>448,211</u>
Disbursements:							
Current:							
General Government	56,854						56,854
Public Safety				36,867			36,867
Public Works	2,057	85,234	75,154			45,448	207,893
Health	9,090					1,200	10,290
Capital Outlay			43,083		90,078		133,161
Debt Service:							
Principal Retirement						14,059	14,059
Interest and Fiscal Charges						4,256	4,256
<i>Total Disbursements</i>	<u>68,001</u>	<u>85,234</u>	<u>118,237</u>	<u>36,867</u>	<u>90,078</u>	<u>64,963</u>	<u>463,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,885</u>	<u>3,522</u>	<u>(28,149)</u>	<u>6,368</u>	<u>0</u>	<u>205</u>	<u>(15,169)</u>
Other Financing Sources (Uses):							
Other Debt Proceeds			40,300				40,300
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>40,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,300</u>
<i>Net Change in Fund Balances</i>	2,885	3,522	12,151	6,368	0	205	25,131
Fund Balances Beginning of Year	19,599	19,109	18,604	21,770	0	22,122	101,204
Fund Balances End of Year	<u><u>\$ 22,484</u></u>	<u><u>\$ 22,631</u></u>	<u><u>\$ 30,755</u></u>	<u><u>\$ 28,138</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 22,327</u></u>	<u><u>\$ 126,335</u></u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$ 32,682	\$ 33,512	\$ 33,512	\$
Intergovernmental	37,486	36,278	36,278	0
Interest		411	411	0
Other		685	685	0
<i>Total Receipts</i>	<u>70,168</u>	<u>70,886</u>	<u>70,886</u>	<u>0</u>
Disbursements:				
Current:				
General Government	61,472	61,755	56,854	4,901
Public Works	16,411	15,038	2,057	12,981
Health	3,600	12,690	9,090	3,600
Capital Outlay	8,284	284		284
<i>Total Disbursements</i>	<u>89,767</u>	<u>89,767</u>	<u>68,001</u>	<u>21,766</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(19,599)	(18,881)	2,885	21,766
Fund Balance Beginning of Year	<u>19,599</u>	<u>19,599</u>	<u>19,599</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 718</u>	<u>\$ 22,484</u>	<u>\$ 21,766</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$ 77,200	\$ 88,606	\$ 88,606	\$
Interest		150	150	0
<i>Total Receipts</i>	<u>77,200</u>	<u>88,756</u>	<u>88,756</u>	<u>0</u>
Disbursements:				
Current:				
General Government	5,017	5,017		5,017
Public Works	91,292	91,292	85,234	6,058
<i>Total Disbursements</i>	<u>96,309</u>	<u>96,309</u>	<u>85,234</u>	<u>11,075</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(19,109)	(7,553)	3,522	11,075
Fund Balance Beginning of Year	<u>19,109</u>	<u>19,109</u>	<u>19,109</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 11,556</u>	<u>\$ 22,631</u>	<u>\$ 11,075</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$ 75,896	\$ 64,372	\$ 75,493	\$ 11,121
Intergovernmental	13,000	12,316	12,316	0
Other		2,279	2,279	0
<i>Total Receipts</i>	<u>88,896</u>	<u>78,967</u>	<u>90,088</u>	<u>11,121</u>
Disbursements:				
Current:				
Public Works	102,500	102,500	75,154	27,346
Capital Outlay	5,000	5,000	43,083	(38,083)
<i>Total Disbursements</i>	<u>107,500</u>	<u>107,500</u>	<u>118,237</u>	<u>(10,737)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,604)	(28,533)	(28,149)	384
Other Financing Sources (Uses)				
Other Debt Proceeds			40,300	40,300
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>40,300</u>	<u>40,300</u>
<i>Net Change in Fund Balance</i>	(18,604)	(28,533)	12,151	40,684
Fund Balance Beginning of Year	18,604	18,604	18,604	0
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ (9,929)</u>	<u>\$ 30,755</u>	<u>\$ 40,684</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
SPECIAL FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$ 37,116	\$ 38,125	\$ 38,125	\$
Intergovernmental	5,300	5,110	5,110	0
<i>Total Receipts</i>	<u>42,416</u>	<u>43,235</u>	<u>43,235</u>	<u>0</u>
Disbursements:				
Current:				
Public Safety	64,186	64,186	36,867	27,319
<i>Total Disbursements</i>	<u>64,186</u>	<u>64,186</u>	<u>36,867</u>	<u>27,319</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(21,770)	(20,951)	6,368	27,319
Fund Balance Beginning of Year	<u>21,770</u>	<u>21,770</u>	<u>21,770</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 819</u></u>	<u><u>\$ 28,138</u></u>	<u><u>\$ 27,319</u></u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 96,204
Investments	5,000
<i>Total Assets</i>	\$ 101,204
 Net Assets:	
Restricted for:	
Debt Service	\$ 4,491
Permanent Fund Purpose	
Expendable	127
Nonexpendable	12,550
Other Purposes	64,437
Unrestricted	19,599
<i>Total Net Assets</i>	\$ 101,204

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

DUNHAM TOWNSHIP
WASHINGTON COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 48,271	\$	\$	\$	(48,271)
Public Safety	36,941		5,338		(31,603)
Public Works	216,494		109,600	65,553	(41,341)
Health	10,651	700			(9,951)
Conservation-Recreation		850			850
Capital Outlay	133,255				(133,255)
<i>Total Governmental Activities</i>	<u>\$ 445,612</u>	<u>\$ 1,550</u>	<u>\$ 114,938</u>	<u>\$ 65,553</u>	<u>(263,571)</u>
		General Receipts:			
		Property Taxes Levied for:			
		General Purposes			161,311
		Grants and Entitlements not Restricted to Specific Programs			50,491
		Other Debt Proceeds			45,886
		Interest			753
		Miscellaneous			2,493
		<i>Total General Receipts</i>			<u>260,934</u>
		<i>Change in Net Assets</i>			(2,637)
		Net Assets Beginning of Year			<u>103,841</u>
		Net Assets End of Year			<u>\$ 101,204</u>

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

DUNHAM TOWNSHIP
WASHINGTON COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Case 850 SM Tractor	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$ 19,599	\$ 19,109	\$ 18,604	\$ 21,770	\$ 4,491	\$ 12,631	\$ 96,204
Investments						5,000	5,000
<i>Total Assets</i>	<u>\$ 19,599</u>	<u>\$ 19,109</u>	<u>\$ 18,604</u>	<u>\$ 21,770</u>	<u>\$ 4,491</u>	<u>\$ 17,631</u>	<u>\$ 101,204</u>
Fund Balances:							
Reserved:							
Reserved for Permanent Fund Purpose	\$	\$	\$	\$	\$	\$ 12,550	\$ 12,550
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	19,599						19,599
Special Revenue Funds		19,109	18,604	21,770		4,954	64,437
Debt Service Fund					4,491		4,491
Permanent Fund						127	127
<i>Total Fund Balances</i>	<u>\$ 19,599</u>	<u>\$ 19,109</u>	<u>\$ 18,604</u>	<u>\$ 21,770</u>	<u>\$ 4,491</u>	<u>\$ 17,631</u>	<u>\$ 101,204</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Permissive Sales Tax	1994 Ford Truck Loan
Receipts:						
Property and Other Local Taxes	\$ 32,682	\$	\$ 87,019	\$ 37,119	\$	\$
Licenses, Permits and Fees						
Intergovernmental	37,513	76,966	12,977	5,338	23,032	
Interest	378	109				
Other	2,112		381			
<i>Total Receipts</i>	<u>72,685</u>	<u>77,075</u>	<u>100,377</u>	<u>42,457</u>	<u>23,032</u>	<u>0</u>
Disbursements:						
Current:						
General Government	48,271					
Public Safety				36,941		
Public Works	10,065	74,842	100,443		23,032	
Health	10,151					
Capital Outlay	1,065		66,636			
<i>Total Disbursements</i>	<u>69,552</u>	<u>74,842</u>	<u>167,079</u>	<u>36,941</u>	<u>23,032</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,133</u>	<u>2,233</u>	<u>(66,702)</u>	<u>5,516</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):						
Other Debt Proceeds			45,886			
Transfers In			266			
Transfers Out						(266)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>46,152</u>	<u>0</u>	<u>0</u>	<u>(266)</u>
<i>Net Change in Fund Balances</i>	3,133	2,233	(20,550)	5,516	0	(266)
Fund Balances Beginning of Year	16,466	16,876	39,154	16,254	0	266
Fund Balances End of Year	<u>\$ 19,599</u>	<u>\$ 19,109</u>	<u>\$ 18,604</u>	<u>\$ 21,770</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Case 850 SM Tractor	Public Works Commission Projects	Other Governmental Funds	Total Governmental Funds
\$ 4,491	\$	\$	\$ 161,311
		850	850
	65,553	9,602	230,981
		266	753
		700	3,193
<u>4,491</u>	<u>65,553</u>	<u>11,418</u>	<u>397,088</u>
			48,271
			36,941
		8,112	216,494
		500	10,651
	65,553		133,254
<u>0</u>	<u>65,553</u>	<u>8,612</u>	<u>445,611</u>
4,491	0	2,806	(48,523)
			45,886
			266
			(266)
<u>0</u>	<u>0</u>	<u>0</u>	<u>45,886</u>
4,491	0	2,806	(2,637)
0	0	14,825	103,841
\$ 4,491	\$ 0	\$ 17,631	\$ 101,204

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$ 30,000	\$ 32,682	\$ 32,682	\$
Intergovernmental	35,000	37,513	37,513	0
Interest		378	378	0
Other		2,112	2,112	0
<i>Total Receipts</i>	<u>65,000</u>	<u>72,685</u>	<u>72,685</u>	<u>0</u>
Disbursements:				
Current:				
General Government	52,641	52,641	48,271	4,370
Public Works	15,073	15,073	10,065	5,008
Health	12,488	12,488	10,151	2,337
Capital Outlay	1,264	1,264	1,065	199
<i>Total Disbursements</i>	<u>81,466</u>	<u>81,466</u>	<u>69,552</u>	<u>11,914</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(16,466)	(8,781)	3,133	11,914
Fund Balance Beginning of Year	<u>16,466</u>	<u>16,466</u>	<u>16,466</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 7,685</u>	<u>\$ 19,599</u>	<u>\$ 11,914</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$ 59,950	\$ 60,080	\$ 76,966	\$ 16,886
Interest	50	109	109	0
<i>Total Receipts</i>	<u>60,000</u>	<u>60,189</u>	<u>77,075</u>	<u>16,886</u>
Disbursements:				
Current:				
Public Works	76,876	76,876	74,842	2,034
<i>Total Disbursements</i>	<u>76,876</u>	<u>76,876</u>	<u>74,842</u>	<u>2,034</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(16,876)	(16,687)	2,233	18,920
Fund Balance Beginning of Year	<u>16,876</u>	<u>16,876</u>	<u>16,876</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 189</u>	<u>\$ 19,109</u>	<u>\$ 18,920</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
Property and Other Local Taxes	\$ 80,859	\$ 87,019	\$ 87,019	\$
Intergovernmental	11,664	12,977	12,977	0
Other		381	381	0
<i>Total Receipts</i>	<u>92,523</u>	<u>100,377</u>	<u>100,377</u>	<u>0</u>
Disbursements:				
Current:				
General Government	1,811	1,811		1,811
Public Works	119,843	107,093	100,443	6,650
Capital Outlay	10,000	22,750	66,636	(43,886)
<i>Total Disbursements</i>	<u>131,654</u>	<u>131,654</u>	<u>167,079</u>	<u>(35,425)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(39,131)</u>	<u>(31,277)</u>	<u>(66,702)</u>	<u>(35,425)</u>
Other Financing Sources (Uses):				
Other Debt Proceeds			45,886	45,886
Transfers In		266	266	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>266</u>	<u>46,152</u>	<u>45,886</u>
<i>Net Change in Fund Balance</i>	(39,131)	(31,011)	(20,550)	10,461
Fund Balance Beginning of Year	<u>39,154</u>	<u>39,154</u>	<u>39,154</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 23</u>	<u>\$ 8,143</u>	<u>\$ 18,604</u>	<u>\$ 10,461</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
SPECIAL FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$ 37,168	\$ 37,119	\$ 37,119	\$
Intergovernmental	5,332	5,338	5,338	0
<i>Total Receipts</i>	<u>42,500</u>	<u>42,457</u>	<u>42,457</u>	<u>0</u>
Disbursements:				
Current:				
Public Safety	58,754	58,754	36,941	21,813
<i>Total Disbursements</i>	<u>58,754</u>	<u>58,754</u>	<u>36,941</u>	<u>21,813</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(16,254)	(16,297)	5,516	21,813
Fund Balance Beginning of Year	<u>16,254</u>	<u>16,254</u>	<u>16,254</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ (43)</u>	<u>\$ 21,770</u>	<u>\$ 21,813</u>

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

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PERMISSIVE SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$ 23,835	\$ 23,835	\$ 23,032	\$ (803)
<i>Total Receipts</i>	<u>23,835</u>	<u>23,835</u>	<u>23,032</u>	<u>(803)</u>
Disbursements:				
Current:				
Public Works	47,670	47,670	23,032	24,638
<i>Total Disbursements</i>	<u>47,670</u>	<u>47,670</u>	<u>23,032</u>	<u>24,638</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,835)	(23,835)	0	23,835
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ (23,835)</u>	<u>\$ (23,835)</u>	<u>\$ 0</u>	<u>\$ 23,835</u>

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

Dunham Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

Dunham Township, Washington County, Ohio (the Township), 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. The Township also has an elected Township Clerk.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Dunham Township Volunteer Fire Department for fire protection. Police protection is provided by the Washington County Sheriff's Department.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Special Fire Levy Fund and Permissive Sales Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. The Township had the following major funds in addition to the General Fund as mentioned above:

Gasoline Tax Fund – This fund receives gasoline tax money. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Road and Bridge Fund – This fund receives property tax money. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Special Fire Levy Fund - This fund receives levy money. This fund balance is available to the Township for the purpose of fire protection services provided it is expended or transferred according to the general laws of Ohio.

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

Permissive Sales Tax Fund – This fund receives money from the Washington County Commissioners from the County's Permissive Sales Tax levy. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds for 2005 and at the fund level for all funds for 2006.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Township records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006 and 2005, the Township invested in a U.S. Treasury Savings Bond. The U.S. Treasury Savings Bond is reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$411 which includes \$318 assigned from other Township funds. Interest receipts credited to the General Fund during 2005 was \$378 which includes \$279 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township’s modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance, fire protection and cemetery maintenance. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

In the prior audit the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For this audit the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Accountability and Compliance

Compliance

At December 31, 2006, the Township had appropriations in excess of estimated resources in the Road and Bridge Fund in the amount of \$9,929 contrary to Ohio Rev. Code Section 5705.39.

At December 31, 2006, the Township had expenditures in excess of appropriations in the Road and Bridge Fund in the amount of \$10,737, Public Works Commission Projects Fund in the amount of \$90,078 and the Massey Ferguson Tractor and Mower Fund in the amount of \$9,334 contrary to Ohio Rev. Code Section 5705.41(B).

At December 31, 2005, the Township had expenditures in excess of appropriations in the Road and Bridge Fund in the amount of \$35,425 and the Public Works Commission Projects Fund in the amount of \$65,553 contrary to Ohio Rev. Code Section 5705.41(B).

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and the following major special revenue funds, Gasoline Tax Fund, Road and Bridge Fund, Special Fire Levy Fund and Permissive Sales Tax Fund, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Dunham Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 6 – Deposits and Investments (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006, \$28,482 of the Township's bank balance of \$128,482, was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006 and 2005, the Township had the following investments:

	Carrying Value	Maturity
U.S. Treasury Savings Bond	\$5,000	November 25, 2008

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Dunham Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 7 – Property Taxes (Continued)

Public utility property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 and 2005 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$26,427,580
Agricultural	4,342,180
Commercial/Industrial/Mineral	2,868,060
Tangible Personal Property	
Business	655,250
Public Utility	1,717,500
Total Assessed Value	\$36,010,570

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$26,326,920
Agricultural	4,299,780
Commercial/Industrial/Mineral	2,894,440
Tangible Personal Property	
Business	1,205,680
Public Utility	1,783,140
Total Assessed Value	\$36,509,960

Dunham Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 – Risk Management

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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable 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 2005 was \$1,682,589.

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.

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, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

Dunham Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 – Risk Management (Continued)

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage assets and retained earnings noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims that will be paid subsequent to December 31, 2005 and 2004, respectively. These amounts will be billed and collected from members in the future when the related claims are due for payment. Because OTARMA is a public entity risk pool that shares risk management among its members, a specific liability related to the Township can not be reasonably estimated.

After completing one year of membership, members may withdraw on each anniversary date they joined OTARMA. They must 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 contribution. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to withdrawal. Withdrawing members have no other future obligation to the pool.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 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 three years are as follows:

<u>Year</u>	<u>Contribution</u>
2006	\$6,785
2005	\$6,911

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Note 9 – Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$10,361, and \$10,080, respectively. The full amount has been contributed for 2006 and 2005.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

Dunham Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 10 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,403 in 2006 and \$2,676 in 2005. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11 - Debt

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance</u>			<u>Balance</u>	
		<u>December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2006</u>	<u>Due Within One Year</u>
Promissory Notes						
2005 Issue (\$45,886)	4.80%	\$ 45,886	\$ 0	\$ 6,780	\$ 39,106	\$ 7,106
2006 Issue (\$40,300)	5.10%	0	40,300	7,279	33,021	7,650
		<u>\$ 45,886</u>	<u>\$40,300</u>	<u>\$ 14,059</u>	<u>\$ 72,127</u>	<u>\$ 14,756</u>

The promissory notes were issued to finance the purchase of a loader backhoe and tractor/mower. The promissory notes are supported by the full faith and credit of the Township.

The following is a summary of the Township's future annual debt service requirements:

Year	<u>Promissory Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 7,106	\$ 1,877
2008	15,097	3,220
2009	15,844	2,472
2010	16,629	1,688
2011	17,451	864
	<u>\$ 72,127</u>	<u>\$ 10,121</u>

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

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

Dunham Township
Washington County
800 Lake Road
Belpre, Ohio 45714

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dunham Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 13, 2007, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

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

Our consideration of 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 material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated April 13, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 13, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

April 13, 2007

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

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

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

FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources at December 31, 2006, in the following fund:

Fund	Estimated Resources	Appropriation Authority	Variance
Road and Bridge Fund	\$ 97,571	\$ 107,500	\$ (9,929)

This could cause the Township to spend in excess of their estimated resources.

We recommend the Township Clerk monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

Officials' Response: The Clerk did not take appropriations out of the Road and Bridge Fund for the debt service payments for the tractor and mower that was paid from the Debt Service Fund.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2006, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Road and Bridge Fund	\$ 107,500	\$ 118,237	\$ (10,737)
Public Works Commission Projects Fund	-	90,078	(90,078)
Massey Ferguson Tractor and Mower Fund	-	9,334	(9,334)

Expenditures exceeded appropriations at December 31, 2005, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Road and Bridge Fund	\$ 131,654	\$ 167,079	\$ (35,425)
Public Works Commission Projects Fund	-	65,553	(65,553)

This resulted in the aforementioned funds expending more than was appropriated.

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-002 (Continued)

The Township Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response: The Clerk will monitor these variances in the future.

FINDING NUMBER 2006-003

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5549.21 states the purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$25,000, shall be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Ohio Revised Code.

The Township purchased a backhoe in 2005 in excess of \$25,000; however, it was not bid by the Board of Trustees. Without performing the required bidding procedures, the Township may not have received the best price for this piece of equipment.

We recommend the Board of Trustees bid all purchases of materials, machinery and tools where the amount involved exceeds \$25,000.

Officials' Response: The Trustees did not realize that bidding is required on used equipment.

FINDING NUMBER 2006-004

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2006, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for two funds. The variances and funds are as follows:

Fund	Appropriations Per Board of Trustees	Amounts Per Township Reports	Variance
Massey Ferguson Tractor and Mower Fund	\$ -	\$ 9,334	\$(9,334)
Public Works Commission Projects Fund	-	90,078	(90,078)

At December 31, 2005, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for one fund. The variance and fund is as follows:

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-004 (Continued)

Fund	Appropriations Per Board of Trustees	Amounts Per Township Reports	Variance
Public Works Commission Projects Fund	\$ -	\$ 65,553	\$(65,553)

At December 31, 2006, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for three funds. The variances and funds are as follows:

Fund	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
Motor Vehicle License Tax Fund	\$ 10,295	\$ 11,297	\$ (1,002)
Road and Bridge Fund	78,968	90,089	(11,121)
Permissive Sales Tax Fund	23,835	34,913	(11,078)

At February 28, 2006, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for two funds. The variances and funds are as follows:

Fund	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
Road and Bridge Fund	\$ 88,896	\$ 100,017	\$(11,121)
Case 850 SM Tractor Fund	4,491	8,982	(4,491)

At December 31, 2005, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for nine funds. The variances and funds are as follows:

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-004 (Continued)

Fund	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
Motor Vehicle License Tax Fund	\$ 10,000	\$ 9,618	\$ 382
Gasoline Tax Fund	60,189	77,075	(16,886)
Cemetery Fund	1,950	1,550	400
Permissive Sales Tax Fund	23,835	47,670	(23,835)
Mary McCullom Cemetery Bequest Fund	2	507	(505)
Mary Brown Cemetery Bequest Fund	200	5,675	(5,475)
Anna Brackenridge Cemetery Bequest Fund	2	518	(516)
Ruby Roberts Cemetery Bequest Fund	20	5,075	(5,055)
Elizabeth L. Hendrix Trust Fund	6	1,524	(1,518)

At June 30, 2005, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for six funds. The variances and funds are as follows:

Fund	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
Motor Vehicle License Tax Fund	\$ 10,000	\$ 11,811	\$(1,811)
Gasoline Tax Fund	60,000	76,876	(16,876)
Road and Bridge Fund	92,500	131,677	(39,177)
Cemetery Fund	400	0	400
Permissive Sales Tax Fund	23,835	0	23,835
Mary Brown Cemetery Bequest Fund	200	0	200

Additionally, the Township Clerk did not post the original amended certificate that was issued on January 27, 2005, until June 30, 2005.

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary statements.

We recommend the Clerk take due care in posting only approved estimated receipts and appropriations.

Officials' Response: This was an oversight and will be monitored more closely in the future.

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-005

Significant Deficiency

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Board of Trustees issued a \$45,886 promissory note during 2005 for the purpose of purchasing a loader backhoe and a \$40,300 promissory note during 2006 for the purpose of purchasing a tractor and a mower. The bank which purchased the note made the check payable directly to the vendor. The Township Clerk did not post the debt proceeds and the expenditure for the notes to its books. As a result, receipts and disbursements were understated on the Township's books and basic financial statements for 2005 and 2006. Adjustments with which the Board of Trustees' agree have been posted to the Township's books and are reflected in the accompanying financial statements.

We recommend the Township Clerk record all debt proceeds and the corresponding expenditures in the Township's books.

Officials' Response: The Clerk was unaware that the loan transactions needed to be recorded on the Township's books. The Township did, however, set up a Debt Service Fund for the debt payments of the loader backhoe and tractor and mower.

**DUNHAM TOWNSHIP
WASHINGTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-41084-003	A finding for recovery was issued against former employee Roger Wilcoxon for overcompensation.	No	No collection efforts have been made.
2004-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for expenditures not having the prior certification of the Township Clerk.	No	Not corrected; repeated as a noncompliance citation in the Management Letter.
2004-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations at 12/31/04 in the Debt Service Fund.	No	Not corrected; repeated as a material noncompliance citation: Finding Number 2006-002.



Mary Taylor, CPA
Auditor of State

DUNHAM TOWNSHIP

WASHINGTON 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
MAY 29, 2007**