



Mary Taylor, CPA  
Auditor of State



DUNHAM TOWNSHIP  
WASHINGTON COUNTY

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Mary Taylor, CPA  
Auditor of State

Dunham Township  
Washington County  
800 Lake Road  
Belpre, Ohio 45714

To the Board of Trustees:

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

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

**Mary Taylor, CPA**  
Auditor of State

May 19, 2009

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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 Dunham Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Dunham Township, Washington County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2007, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

May 19, 2009

DUNHAM TOWNSHIP  
WASHINGTON COUNTY

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

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$33,447	\$117,265	\$9,158			\$159,870
Intergovernmental	48,615	163,540		\$27,840		239,995
Licenses, Permits, and Fees		275				275
Earnings on Investments	330	45			\$225	600
Miscellaneous	674	670		1,386		2,730
<b>Total Cash Receipts</b>	<b>83,066</b>	<b>281,795</b>	<b>9,158</b>	<b>29,226</b>	<b>225</b>	<b>403,470</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	65,975	2,668				68,643
Public Safety		42,457				42,457
Public Works	19,777	197,215		27,840		244,832
Health	11,238					11,238
Capital Outlay		6,977				6,977
Debt Service:						
Redemption of Principal		4,667	10,430			15,097
Interest and Fiscal Charges			3,219			3,219
<b>Total Cash Disbursements</b>	<b>96,990</b>	<b>253,984</b>	<b>13,649</b>	<b>27,840</b>	<b>0</b>	<b>392,463</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(13,924)	27,811	(4,491)	1,386	225	11,007
Fund Cash Balances, January 1	75,290	48,716	4,491	0	13,168	141,665
<b>Fund Cash Balances, December 31</b>	<b><u>\$60,866</u></b>	<b><u>\$76,527</u></b>	<b><u>\$0</u></b>	<b><u>\$1,386</u></b>	<b><u>\$13,393</u></b>	<b><u>\$152,172</u></b>

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

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

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

	<b>Governmental Fund Types</b>					<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Permanent</b>	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$34,124	\$125,853	\$18,316			\$178,293
Intergovernmental	102,213	123,942		\$8,355		234,510
Licenses, Permits, and Fees		400				400
Earnings on Investments	473	129			\$248	850
Miscellaneous	290	411				701
<b>Total Cash Receipts</b>	<b>137,100</b>	<b>250,735</b>	<b>18,316</b>	<b>8,355</b>	<b>248</b>	<b>414,754</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	66,144	2,478				68,622
Public Safety		48,869				48,869
Public Works	2,828	235,680		8,355		246,863
Health	15,050	1,432				16,482
Debt Service:						
Redemption of Principal			14,756			14,756
Interest and Fiscal Charges			3,560			3,560
<b>Total Cash Disbursements</b>	<b>84,022</b>	<b>288,459</b>	<b>18,316</b>	<b>8,355</b>	<b>0</b>	<b>399,152</b>
Total Cash Receipts Over/(Under) Cash Disbursements	53,078	(37,724)	0	0	248	15,602
Fund Cash Balances, January 1	22,484	86,440	4,491	0	12,920	126,335
<b>Fund Cash Balances, December 31</b>	<b>\$75,290</b>	<b>\$48,716</b>	<b>\$4,491</b>	<b>\$0</b>	<b>\$13,168</b>	<b>\$141,665</b>

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

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Dunham Township, Washington County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with Dunham Township Volunteer Fire Department and Belpre Township for fire protection services.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

During 2007 and 2008, the Township invested in a U.S. Treasury Savings Bond. The U.S. Treasury Savings Bond is valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**3. Debt Service Fund**

These funds account for resources the Township accumulates bond and note debt. The Township had the following significant Debt Service Funds:

Case 850 SM Tractor and Backhoe Fund – This fund receives property tax money for the principal and interest on a new backhoe.

Massey Ferguson and Alamo Mower Fund – This fund receives property tax money for the principal and interest on a new tractor and mower.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Public Works Commission Projects Fund - The Township receives grant monies from the State of Ohio for the repair of roads.

**5. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township has six cemetery bequest funds classified as Permanent Funds. These funds received interest earned on the principal invested in the Township's interest-bearing savings account and on a Series HH/H United States Savings Bond.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

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

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits and Investments**

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

	2008	2007
Demand deposits	\$ 147,172	\$ 136,665
Total deposits	147,172	136,665
 U.S. Savings Bond	 5,000	 5,000
Total investments	5,000	5,000
Total deposits and investments	\$ 152,172	\$ 141,665

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

**Investments:** The Series HH/H United States Savings Bond is held by, and in the name of, the Township. Amounts reflected above represent the cost of the savings bond to the Township.

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,922	\$83,066	\$12,144
Special Revenue	262,152	281,795	19,643
Debt Service	13,825	9,158	(4,667)
Capital Projects	27,840	29,226	1,386
Permanent	234	225	(9)
Total	\$374,973	\$403,470	\$28,497

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,212	\$97,490	\$48,722
Special Revenue	338,799	253,984	84,815
Debt Service	18,316	13,649	4,667
Capital Projects	0	27,840	(27,840)
Permanent	852	0	852
Total	\$504,179	\$392,963	\$111,216

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,072	\$137,100	\$28
Special Revenue	276,404	250,735	(25,669)
Debt Service	18,316	18,316	0
Capital Projects	8,355	8,355	0
Permanent	242	248	6
Total	\$440,389	\$414,754	(\$25,635)

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,259	\$84,294	\$5,965
Special Revenue	353,564	288,459	65,105
Debt Service	18,316	18,316	0
Capital Projects	0	8,355	(8,355)
Permanent	228	0	228
Total	\$462,367	\$399,424	\$62,943

Contrary to Ohio law, at December 31, 2008, appropriations exceeded actual resources in the Special Fire Levy Fund by \$2,650 and the Massey Ferguson and Alamo Mower Fund by \$4,667. At December 31, 2007, appropriations exceeded actual resources in the Permissive Sales Tax Fund by \$27,931.

At December 31, 2008, expenditures exceeded appropriations in the Public Works Commission Projects Fund by \$27,840, contrary to Ohio law.

At December 31, 2007, expenditures exceeded appropriations in the Public Works Commission Projects Fund by \$8,355, contrary to Ohio law.

**4. Property Tax**

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

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

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

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

**5. Debt**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Promissory Note 2005 Issue	\$24,554	4.799%
Promissory Note 2006 Issue	17,331	5.099%
Total Outstanding Debt	\$41,885	

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt (Continued)**

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

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Promissory Note 2005 Issue	Promissory Note 2006 Issue
2009	\$8,982	\$0
2010	8,982	9,334
2011	8,982	9,334
Total	\$26,946	\$18,668

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**7. Risk Management**

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

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

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

Casualty Coverage

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

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

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

<b><u>Contributions to OTARMA</u></b>	
2006	\$6,785
2007	\$5,185
2008	\$3,965

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



# 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 Dunham Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 19, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

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

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

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We consider finding 2008-004 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that 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 the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 19, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-003.

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 May 19, 2009.

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

May 19, 2009

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(4) states upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Appropriations exceeded actual resources at December 31, 2008, in the following funds:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Levy - Fire	\$ 63,396	\$ 66,046	\$(2,650)
Massey Ferguson and Alamo Mower	4,667	9,334	(4,667)

Appropriations exceeded actual resources at December 31, 2007, in the following fund:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Permissive Sales Tax	\$ 9,806	\$ 37,737	\$(27,931)

This could cause the Township to spend money the Township has not received.

We recommend the Township obtain an amended certificate when needed to reduce or increase available resources. In addition, we recommend the Township, through resolution, reduce their appropriations as needed when available resources are reduced.

**FINDING NUMBER 2008-002**

**Noncompliance Citation**

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, 2008, in the following fund:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Public Works Commission Projects Fund	\$ -	\$ 27,840	\$ (27,840)

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-002 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

Expenditures exceeded appropriations at December 31, 2007, in the following fund:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Public Works Commission Projects Fund	\$ -	\$ 8,355	\$ (8,355)

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

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

**FINDING NUMBER 2008-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-003 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for 18 percent of the expenditures tested in 2008 and 50 percent of the expenditures tested in 2007, and there was no evidence the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2008-004**

**Significant Deficiency**

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, 2008, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers and footnotes to the financial statements for the following funds:

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-004 (Continued)**

**Significant Deficiency (Continued)**

<u>Fund</u>	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
General	\$ 70,922	\$ 83,066	\$ (12,144)
Motor Vehicle License Tax	18,000	22,356	(4,356)
Gasoline Tax Fund	88,075	89,945	(1,870)
Road and Bridge	88,500	99,861	(11,361)
Special Levy Fire	43,000	40,350	2,650
Permissive Sales Tax	24,177	52,108	(27,931)
Massey Ferguson and Alamo Mower	9,334	4,667	4,667
Public Works Commission Project	27,840	29,226	(1,386)

At December 31, 2008, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers and footnotes to the financial statements for the following fund:

<u>Fund</u>	Appropriations Per Board of Trustees	Amounts Per Township Reports	Variance
Public Works Commission Project	\$ 0	\$ 27,840	\$(27,840)

At December 31, 2007, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers and footnotes to the financial statements for the following funds:

<u>Fund</u>	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
Motor Vehicle License Tax	\$ 16,368	\$ 18,390	\$(2,022)
Cemetery	362	600	(238)

At December 31, 2007, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers and footnotes to the financial statements for the following funds:

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-004 (Continued)**

**Significant Deficiency (Continued)**

<u>Fund</u>	<u>Appropriations Per Board of Trustees</u>	<u>Amounts Per Township Reports</u>	<u>Variance</u>
General	\$ 90,259	\$ 90,792	\$ (533)
Public Works Commission Project	0	8,355	(8,355)

Due to budgetary information being improperly entered into the system, the management of the Township was not able to effectively monitor and report its budgetary vs. actual status throughout the year.

We recommend the Fiscal Officer accurately post appropriations and amended certificates as approved by the Board of Township Trustees and County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

**DUNHAM TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2002-41084-003	A finding for recovery was issued against former employee Roger Wilcoxon for overcompensation.	No	Not Corrected: No collection efforts have been made.
2006-001	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources in the Road and Bridge Fund at December 31, 2006.	Yes	
2006-002	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations in three funds at December 31, 2006, and in two funds at December 31, 2005.	No	Not Corrected; repeated as a noncompliance citation in the Schedule of Findings as Finding Number 2008-002.
2006-003	Ohio Rev. Code Section 5549.21 – The Township purchased a backhoe in 2005 in excess of \$25,000, and it was not bid by the Board of Trustees.	Yes	
2006-004	Ohio Admin. Code Section 117-2-02(C)(1) – Appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for two funds at December 31, 2006, and for one fund at December 31, 2005. Estimated receipts as approved by the Budget Commission did not agree to the Township's ledgers for three funds at December 31, 2006, for nine funds at December 31, 2005, and for several funds throughout 2006 and 2005. Also the Township did not post the original amended certificate issued on January 27, 2005 until June 30, 2005.	No	Not Corrected: repeated as a Significant Deficiency in the Schedule of Findings as Finding Number 2008-004.
2006-005	Significant Deficiency – The Fiscal Officer did not post debt proceeds and the expenditure for the notes to Township's books.	Yes	Finding No Longer Valid: no new debt issues during 2007 and 2008.



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  
JULY 7, 2009**