

***HAMB DEN TOWNSHIP  
GEAUGA COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Hambden Township  
13877 G.A.R. Highway  
Chardon, Ohio 44024

We have reviewed the *Report of Independent Accountants* of Hambden Township, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 4, 2011

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**HAMB DEN TOWNSHIP  
GEAUGA COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2010 and 2009**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Hambden Township  
Geauga County  
13887 G.A.R. Highway  
Chardon, Ohio 44024

To the Board of Trustees:

We have audited the accompanying financial statements of Hambden Township, Geauga County, Ohio (the Township) as and for the years ended December 31, 2010 and 2009. 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2010 and 2009. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009, 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, 2010 and 2009, 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 Hambden Township, Geauga County as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. 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 March 3, 2011, 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, 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 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.



*Charles E. Harris & Associates, Inc.*  
March 3, 2011

**HAMBDEN TOWNSHIP  
 GEAUGA COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
 CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
 For the Year Ended December 31, 2010**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 207,476	\$ 746,684	\$ 34,346	\$ 988,506
Charges for Services	-	68,572	-	68,572
Licenses, permits and fees	33,727	4,280	-	38,007
Intergovernmental	185,065	223,320	4,927	413,312
Earnings on Investments	11,302	303	-	11,605
Miscellaneous	2,737	18,686	-	21,423
<b>Total Receipts</b>	<b>440,307</b>	<b>1,061,845</b>	<b>39,273</b>	<b>1,541,425</b>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	266,006	-	-	266,006
Public Safety	-	407,627	-	407,627
Public Works	28,408	552,807	-	581,215
Health	14,806	139	-	14,945
Conservation-Recreation	-	11,450	-	11,450
Other	18,988	-	639	19,627
Capital Outlay	85,635	63,210	148,237	297,082
<b>Total Cash Disbursements</b>	<b>413,843</b>	<b>1,035,233</b>	<b>148,876</b>	<b>1,597,952</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>26,464</b>	<b>26,612</b>	<b>(109,603)</b>	<b>(56,527)</b>
<b>Other Financing Sources/(Uses):</b>				
Sale of Capital Assets	-	31,968	18,546	50,514
Other Financing Sources	-	1,500	-	1,500
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>33,468</b>	<b>18,546</b>	<b>52,014</b>
<b>Excess of Receipts &amp; Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>26,464</b>	<b>60,080</b>	<b>(91,057)</b>	<b>(4,513)</b>
<b>Fund Balance January 1, 2010</b>	<b>619,659</b>	<b>601,580</b>	<b>168,487</b>	<b>1,389,726</b>
<b>Fund Balance December 31, 2010</b>	<b>\$ 646,123</b>	<b>\$ 661,660</b>	<b>\$ 77,430</b>	<b>\$ 1,385,213</b>

See accompanying Notes to the Financial Statements.



**HAMBDEN TOWNSHIP**  
**GEAUGA COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**For the Year Ended December 31, 2009**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 205,666	\$ 701,406	\$ 31,654	\$ 938,726
Charges for Services	-	90,018	-	90,018
Licenses, permits and fees	23,781	4,680	-	28,461
Intergovernmental	110,053	208,592	5,041	323,686
Earnings on Investments	11,766	447	-	12,213
Miscellaneous	6,136	14,666	-	20,802
<b>Total Receipts</b>	<b>357,402</b>	<b>1,019,809</b>	<b>36,695</b>	<b>1,413,906</b>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	261,457	-	-	261,457
Public Safety	-	368,586	-	368,586
Public Works	18,777	578,506	-	597,283
Health	18,587	2,014	-	20,601
Conservation-Recreation	-	13,257	-	13,257
Other	24,512	-	639	25,151
Capital Outlay	35,655	311,716	20,422	367,793
<b>Total Cash Disbursements</b>	<b>358,988</b>	<b>1,274,079</b>	<b>21,061</b>	<b>1,654,128</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>(1,586)</b>	<b>(254,270)</b>	<b>15,634</b>	<b>(240,222)</b>
<b>Other Financing Sources/(Uses):</b>				
Sale of Capital Assets	-	-	5,500	5,500
Other Sources	-	1,500	-	1,500
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>1,500</b>	<b>5,500</b>	<b>7,000</b>
<b>Excess of Receipts &amp; Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>(1,586)</b>	<b>(252,770)</b>	<b>21,134</b>	<b>(233,222)</b>
<b>Fund Balance January 1, 2009</b>	<b>621,245</b>	<b>854,350</b>	<b>147,353</b>	<b>1,622,948</b>
<b>Fund Balance December 31, 2009</b>	<b>\$ 619,659</b>	<b>\$ 601,580</b>	<b>\$ 168,487</b>	<b>\$ 1,389,726</b>

See accompanying Notes to the Financial Statements.

HAMB DEN TOWNSHIP  
G E A U G A C O U N T Y  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2010 AND 2009

**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 the Hambden Township, Geauga 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, fire protection and emergency medical 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. Cash 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.

The Investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the Treasurer of State.

**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:

HAMB DEN TOWNSHIP  
GEAUGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2010 AND 2009

**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.

Fire District Fund - This fund receives property tax funding to provide fire protection to the Township residents.

**3. 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:

Permanent Improvement Fund - The Township receives property tax funding for the acquisition or construction of capital assets.

**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 fund, department, and object level of control for all funds. Appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

HAMB DEN TOWNSHIP  
 GEAUGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDING DECEMBER 31, 2010 AND 2009

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

**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 Cash and Investments**

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

	2010	2009
Demand Deposit	\$ 604,944	\$ 610,301
STAR Ohio	780,269	779,425
Total Deposits and Investments	<u>\$ 1,385,213</u>	<u>\$ 1,389,726</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

<b>2010 Budgeted vs Actual Receipts</b>			
<b>Funds</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 403,708	\$ 440,307	\$ 36,599
Special Revenue	1,044,546	1,095,313	50,767
Capital Projects	<u>34,272</u>	<u>57,819</u>	<u>23,547</u>
Total	<u>\$ 1,482,526</u>	<u>\$ 1,593,439</u>	<u>\$ 110,913</u>

HAMB DEN TOWNSHIP  
 GEAUGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDING DECEMBER 31, 2010 AND 2009

**3. Budgetary Activity (Continued)**

<b>2010 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Funds</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 1,023,367	\$ 413,843	\$ 609,524
Special Revenue	1,616,127	1,035,233	580,894
Capital Projects	202,759	148,876	53,883
<b>Total</b>	<b>\$ 2,842,253</b>	<b>\$ 1,597,952</b>	<b>\$ 1,244,301</b>

<b>2009 Budgeted vs Actual Receipts</b>			
<b>Funds</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 336,050	\$ 357,402	\$ 21,352
Special Revenue	952,362	1,021,309	68,947
Capital Projects	39,002	42,195	3,193
<b>Total</b>	<b>\$ 1,327,414</b>	<b>\$ 1,420,906</b>	<b>\$ 93,492</b>

<b>2009 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Funds</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 957,296	\$ 358,988	\$ 598,308
Special Revenue	1,806,710	1,274,079	532,631
Capital Projects	180,855	21,061	159,794
<b>Total</b>	<b>\$ 2,944,861</b>	<b>\$ 1,654,128</b>	<b>\$ 1,290,733</b>

**4. Property Tax**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Township. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Geauga County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the Township was completed in 2010. The next revaluation is scheduled for 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

HAMB DEN TOWNSHIP  
GEAUGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2010 AND 2009

**4. Property Tax (Continued)**

Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Geauga County Treasurer collects property taxes on behalf of the Township. The Geauga County Auditor remits the collected taxes to the Township. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**5. Retirement System**

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**6. 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 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

OTARMA retains casualty risk up to \$250,000 per claim, including loss 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.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Townships can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

HAMB DEN TOWNSHIP  
 GEAUGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDING DECEMBER 31, 2010 AND 2009

**6. Risk Management (Continued)**

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600,000,000 per occurrence. APEEP reinsures members for specific loss exceeding \$150,000 up to \$500,000 per occurrence, subject to annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined OTARMA members' total insurable values. If the stop-loss is reached by payment of losses between \$150,000 and \$500,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (latest information available):

Casualty & Property Coverage	2009	2008
Assets	\$ 38,982,088	\$ 40,737,740
Liabilities	(12,880,766)	(12,981,818)
Retained Earnings	\$ 26,101,322	\$ 27,755,922

At December 31, 2009 and 2008 (latest information available), respectively, casualty coverage liabilities noted above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, 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 \$23,757. The amount includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on the 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 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.

HAMB DEN TOWNSHIP  
G E A U G A C O U N T Y  
N O T E S T O T H E F I N A N C I A L S T A T E M E N T S  
F O R T H E Y E A R S E N D I N G D E C E M B E R 3 1 , 2 0 1 0 A N D 2 0 0 9

**6. Risk Management (Continued)**

<u>Contributions to OTARMA</u>		
2008	\$	22,416
2009	\$	19,463
2010	\$	23,757

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 sixty 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 further 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.

**7. Contingent Liabilities/Subsequent Events**

Management believes there are no pending claims or lawsuits.



Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Hambden Township  
Geauga County  
13887 G.A.R Highway  
Chardon, Ohio 444024

To the Board of Trustees:

We have audited the accompanying financial statements of Hambden Township (the Township), Geauga County, Ohio as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 3, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

**Charles E. Harris and Associates, Inc.**

March 3, 2011

**STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the years ending December 31, 2008 and 2007, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**HAMBDEN TOWNSHIP**

**GEAUGA 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  
APRIL 14, 2011**