

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Hinckley Township
Medina County, Ohio

We have reviewed the Independent Auditor's Report of Hinckley Township, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 1999 to December 31, 2000. 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.

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. Hinckley Township is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 28, 2001

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**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 29, 2001

Board of Trustees
Hinckley Township
Medina County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Hinckley Township, Medina County, as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Hinckley 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 in Note 1, the Township, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with cash basis and budget laws of the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Hinckley Township, Medina County, as of December 31, 2000 and 1999, and the revenues it received and expenditures it paid for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Board of Trustees, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
CASH RECEIPTS:				
Taxes	\$ 82,929	\$ 1,150,658	\$ 0	\$ 1,233,587
Charges for Services	0	1,715	0	1,715
Licenses, Permits, and Fees	0	58,692	0	58,692
Intergovernmental Receipts	251,167	206,474	0	457,641
Interest	78,725	9,691	7,878	96,294
All Other Revenue	52,223	40,094	0	92,317
Total Cash Receipts	<u>465,044</u>	<u>1,467,324</u>	<u>7,878</u>	<u>1,940,246</u>
CASH DISBURSEMENTS:				
General Government	290,152	24,860	9,336	324,348
Public Safety	0	862,929	0	862,929
Public Works	4,465	336,596	0	341,061
Health	0	10,744	0	10,744
Conservation - Recreation	15,784	680	0	16,464
Capital Outlay	211,280	546,381	0	757,661
Total Cash Disbursements	<u>521,681</u>	<u>1,782,190</u>	<u>9,336</u>	<u>2,313,207</u>
Total Receipts Over (Under) Disbursements	(56,637)	(314,866)	(1,458)	(372,961)
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	0	72,540	0	72,540
Operating Transfers - Out	(72,540)	0	0	(72,540)
Total Other Financing Sources (Uses)	<u>(72,540)</u>	<u>72,540</u>	<u>0</u>	<u>0</u>
Total of Receipts and Other Sources Over (Under) Disbursements and Other Financing Uses	(129,177)	(242,326)	(1,458)	(372,961)
Fund cash balances, beginning of year	<u>317,973</u>	<u>1,500,551</u>	<u>124,794</u>	<u>1,943,318</u>
Fund cash balances, end of year	<u>\$ 188,796</u>	<u>\$ 1,258,225</u>	<u>\$ 123,336</u>	<u>\$ 1,570,357</u>

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

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Agency Fund
<hr/>	
OPERATING CASH RECEIPTS:	
Interest	\$ 6,941
Total Cash Receipts	<u>6,941</u>
OPERATING CASH DISBURSEMENTS:	<u>0</u>
Net cash receipts over (under) cash disbursements	6,941
Fund cash balances, beginning of year	<u>107,712</u>
Fund cash balances, end of year	<u><u>\$ 114,653</u></u>

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

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types		Fiduciary Fund Type	Total
	General	Special Revenue	Expendable Trust	(Memorandum Only)
CASH RECEIPTS:				
Taxes	\$ 82,653	\$ 1,135,507	\$ 0	\$ 1,218,160
Charges for Services	0	5,560	0	5,560
Licenses, Permits, and Fees	0	76,332	0	76,332
Intergovernmental Receipts	216,445	203,922	0	420,367
Interest	86,576	8,026	6,580	101,182
All Other Revenue	74,566	127,593	0	202,159
Total Cash Receipts	460,240	1,556,940	6,580	2,023,760
CASH DISBURSEMENTS:				
General Government	332,842	23,115	23,549	379,506
Public Safety	784	824,933	0	825,717
Public Works	2,181	424,815	0	426,996
Health	0	12,071	0	12,071
Conservation - Recreation	63,058	0	0	63,058
Miscellaneous	0	3,700	0	3,700
Capital Outlay	217,181	69,389	0	286,570
Total Cash Disbursements	616,046	1,358,023	23,549	1,997,618
Total Receipts Over (Under) Disbursements	(155,806)	198,917	(16,969)	26,142
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	0	58,997	0	58,997
Operating Transfers - Out	(58,997)	0	0	(58,997)
Total Other Financing Sources (Uses)	(58,997)	58,997	0	0
Total of Receipts and Other Sources Over (Under) Disbursements and Other Financing Uses	(214,803)	257,914	(16,969)	26,142
Fund cash balances, beginning of year	532,776	1,242,637	141,763	1,917,176
Fund cash balances, end of year	\$ 317,973	\$ 1,500,551	\$ 124,794	\$ 1,943,318

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

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Agency Fund
OPERATING CASH RECEIPTS:	
Interest	\$ 5,360
Total Cash Receipts	5,360
OPERATING CASH DISBURSEMENTS:	
General Government	12,487
Total Cash Disbursements	12,487
Total Cash Receipts Over (Under) Cash Disbursements	(7,127)
OTHER FINANCING SOURCES (USES):	
Operating Transfers - In	0
Total Other Financing Sources (Uses)	0
Total of Cash Receipts and Other Sources Over (Under) Cash Disbursements and Other Financing Uses	(7,127)
Fund cash balances, beginning of year	114,839
Fund cash balances, end of year	\$ 107,712

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

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 1: Summary of Significant Accounting Policies

A. Description of the Entity

The Township of Hinckley, Medina County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and an elected clerk. The Township provides general governmental services, including, fire protection and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Repurchase agreements are valued at cost. The investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer.

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:

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds.

Motor Vehicle License Tax Fund - This fund receives state motor vehicle license tax money for the construction, repair, and maintenance of township roads and bridges.

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Gasoline Tax Fund - This fund receives gasoline tax money for the construction, repair and maintenance of township roads and bridges.

Road and Bridges Funds - These funds receive real estate and personal property tax money for the construction, repair, and maintenance of township roads and bridges.

Cemetery Funds - These funds receive real estate and personal property tax money and generate money through the selling of cemetery lots and donations from the general public. This money is disbursed for the maintenance and upkeep of township cemeteries.

Police District – This fund receives property tax money for the purpose of providing fire protection and emergency medical services to the citizens of the Township.

Fire District - This fund receives real estate and personal property tax money for the operation of a volunteer fire department for the township.

Fiduciary Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable trust funds. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant Fiduciary Funds:

Prosek Beautification Fund – This expendable trust fund receives estate money for the purpose of beautification of Township property.

Rising Valley Park Fund – This agency fund receives estate money. Expenditures are made for capital improvements to the park at the direction of the Rising Valley Commission.

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 1: Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances are outstanding at year end.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 2: Equity in Pooled Cash

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

	2000	1999
Demand Deposits	\$ 44,570	\$ (5,365)
STAR Ohio	1,410,441	1,836,395
Repurchase Agreement	230,000	220,000
Total deposits and investments	\$ 1,685,011	\$ 2,051,030

Deposits

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

Investments

Investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form.

NOTE 3: Budgetary Activity

Budgetary activity for the years ended December 31, 2000 and 1999 was as follows:

	Budgeted vs. Actual Receipts					
	2000			1999		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 528,259	\$ 465,044	\$ 63,215	\$ 871,858	\$ 460,240	\$ 411,618
Special Revenue	2,530,372	1,539,864	990,508	2,849,079	1,615,937	1,233,142
Expendable Trust	244,557	7,878	236,679	268,103	6,580	261,523
Total	\$ 3,303,188	\$ 2,012,786	\$ 1,290,402	\$ 3,989,040	\$ 2,082,757	\$ 1,906,283

	Budgeted vs. Actual Expenditures					
	2000			1999		
	Appropriation Authority	Actual Expenditures	Variance	Appropriation Authority	Actual Expenditures	Variance
General	\$ 710,141	\$ 594,221	\$ 115,920	\$ 836,881	\$ 675,043	\$ 161,838
Special Revenue	2,607,936	1,749,631	858,305	2,354,858	1,358,023	996,835
Expendable Trust	20,000	0	20,000	20,000	12,487	7,513
Total	\$ 3,338,077	\$ 2,343,852	\$ 994,225	\$ 3,211,739	\$ 2,045,553	\$ 1,166,186

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 4: Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property taxes 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.

NOTE 5: Retirements Systems

The Township's law enforcement officers belong the to Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Public Employee Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PFDPF contributed 9% of their wages. The Township contributed an amount equal to 19.5% of their wages. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

NOTE 6: Risk Management

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Automobile
- Error and omissions

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NOTE 7: Contingent Liabilities

The Township settled a lawsuit for \$1,253,000. In January, 2000, Hinckley Township's insurance paid \$478,500 and Hinckley Township paid \$100,000. The Township is also required to pay \$45,000 annually for 15 years on or before January 30, beginning January 30, 1999.

NOTE 8: Subsequent Events

On March 12, 2001, a resolution was passed resulting from a pending lawsuit between Bernard J. Golias and George Kuchta/John E. Kohler, Trustee and Hinckley Township, where the Township trustees in conjunction with the Medina County Engineer's Office determined and agreed that the cost to extend Eastwood Road to the Township would be \$130,000. The lawsuit was dismissed and payment was made in escrow in 2001.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 29, 2001

The Board of Trustees
Hinckley Township
Medina County, Ohio

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Hinckley Township, Medina County, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 29, 2001. We have conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hinckley Township financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Board of Trustees of Hinckley Township, Medina County, in a separate letter dated May 29, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hinckley Township internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HINCKLEY TOWNSHIP

MEDINA 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 17, 2001**