



**Auditor of State**  
**Betty Montgomery**



HINCKLEY TOWNSHIP  
MEDINA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
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, 2002.....	3
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, 2001.....	4
Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Agency Fund For the Years Ended December 31, 2002 and 2001.....	5
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Hinckley Township  
Medina County  
1575 Skyland Drive  
P.O. Box 344  
Hinckley, Ohio 44233-0344

To the Board of Trustees:

We have audited the accompanying financial statements of Hinckley Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001. 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 audits.

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by 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 combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2003 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 audits.

Hinckley Township  
Medina County  
Independent Accountants' Report  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 14, 2003

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**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, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$103,009	\$1,598,051		\$1,701,060
Intergovernmental	227,154	264,734		491,888
Charges for Services		29,722		29,722
Franchise Fees	23,888			23,888
Licenses, Permits, and Fees		61,236		61,236
Earnings on Investments	19,533	1,860		21,393
Other	8,348	13,380		21,728
	<u>381,932</u>	<u>1,968,983</u>		<u>2,350,915</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	322,924	43,866	\$9,020	375,810
Public Safety	75	1,027,199		1,027,274
Public Works	682	495,652		496,334
Health		15,658		15,658
Conservation - Recreation	23,059			23,059
Capital Outlay	62,289	149,420		211,709
	<u>409,029</u>	<u>1,731,795</u>	<u>9,020</u>	<u>2,149,844</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(27,097)	237,188	(9,020)	201,071
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		37,734	2,018	39,752
Transfers-Out	(39,752)			(39,752)
	<u>(39,752)</u>	<u>37,734</u>	<u>2,018</u>	
Total Other Financing Receipts/(Disbursements)	(39,752)	37,734	2,018	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(66,849)	274,922	(7,002)	
Fund Cash Balances, January 1	<u>247,079</u>	<u>955,935</u>	<u>109,733</u>	<u>1,312,747</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$180,230</b></u>	<u><b>\$1,230,857</b></u>	<u><b>\$102,731</b></u>	<u><b>\$1,513,818</b></u>
Reserves for Encumbrances, December 31	<u>\$29,179</u>	<u>\$51,094</u>	<u>\$0</u>	<u>\$80,273</u>

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

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**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, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$85,978	\$1,206,748		\$1,292,726
Intergovernmental	233,022	236,542		469,564
Charges for Services		5,042		5,042
Franchise Fees	37,503			37,503
Licenses, Permits, and Fees		66,729		66,729
Earnings on Investments	53,866	3,922		57,788
Other	3,854	23,027		26,881
	<u>414,223</u>	<u>1,542,010</u>		<u>1,956,233</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	296,977	35,521	\$18,683	351,181
Public Safety		945,028		945,028
Public Works	1,741	733,360		735,101
Health		7,855		7,855
Conservation - Recreation	21,567			21,567
Capital Outlay	30,575	122,536		153,111
	<u>350,860</u>	<u>1,844,300</u>	<u>18,683</u>	<u>2,213,843</u>
Total Cash Disbursements				
	<u>350,860</u>	<u>1,844,300</u>	<u>18,683</u>	<u>2,213,843</u>
Total Cash Receipts Over/(Under) Cash Disbursements	63,363	(302,290)	(18,683)	(257,610)
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In			5,080	5,080
Transfers-Out	(5,080)			(5,080)
	<u>(5,080)</u>			<u>(5,080)</u>
Total Other Financing Receipts/(Disbursements)	<u>(5,080)</u>		<u>5,080</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	58,283	(302,290)	(13,603)	(257,610)
Fund Cash Balances, January 1	<u>188,796</u>	<u>1,258,225</u>	<u>123,336</u>	<u>1,570,357</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$247,079</b></u>	<u><b>\$955,935</b></u>	<u><b>\$109,733</b></u>	<u><b>\$1,312,747</b></u>
Reserves for Encumbrances, December 31	<u>\$12,931</u>	<u>\$84,733</u>	<u>\$0</u>	<u>\$97,664</u>

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



**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCE - AGENCY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>Cash Receipts:</b>		
Earnings on Investments	1,129	2,839
<b>Cash Disbursements:</b>		
General Government	12,500	46,037
Total Cash Receipts Under Cash Disbursements	(11,371)	(43,198)
Fund Cash Balances, January 1	71,455	114,653
<b>Fund Cash Balances, December 31</b>	<b>\$60,084</b>	<b>\$71,455</b>
Reserves for Encumbrances, December 31	\$0	\$0

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

**This page intentionally left blank.**

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Hinckley Township, Medina County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, police and 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. 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 STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as cash disbursements, and sales of investments are not recorded as cash receipts. Gains or losses at the time of sale are recorded as cash receipts or cash disbursements, respectively.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

*Police Special Levy Fund* - This fund receives property tax revenue for the use of security of person and property to the citizens of the Township.

**3. Fiduciary Funds (Trust and Agency Funds)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township has 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.

**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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**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 also approve estimated resources.

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

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

	2002	2001
Demand deposits	\$38,861	\$35,020
Certificates of deposit	955,000	0
Total deposits	993,861	35,020
STAR Ohio	38,818	1,284,182
Repurchase agreement	541,223	65,000
Total investments	580,041	1,349,182
Total deposits and Investments	\$1,573,902	\$1,384,202

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

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$459,868	\$381,932	(\$77,936)
Special Revenue	1,885,935	2,006,717	120,782
Fiduciary	5,002	3,147	(1,855)
Total	\$2,350,805	\$2,391,796	\$40,991

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$547,866	\$477,960	\$69,906
Special Revenue	2,366,890	1,782,889	584,001
Fiduciary	75,000	21,520	53,480
Total	\$2,989,756	\$2,282,369	\$707,387

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$424,253	\$414,223	(\$10,030)
Special Revenue	1,503,619	1,542,010	38,391
Fiduciary	14,000	7,919	(6,081)
Total	\$1,941,872	\$1,964,152	\$22,280

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$585,005	\$368,871	\$216,134
Special Revenue	2,243,749	1,929,033	314,716
Fiduciary	73,000	64,720	8,280
Total	\$2,901,754	\$2,362,624	\$539,130

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

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. RETIREMENT SYSTEM**

The Township's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

**Risk Pool Membership**

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 insurance 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 Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**HINCKLEY TOWNSHIP  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

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:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

This is the latest information available.

**7. CONTINGENT LIABILITIES**

During 1998, the Township settled a lawsuit for \$1,253,000, with the Township's insurance company paying \$478,500 and the Township paying \$100,000. The Township is also required to pay \$45,000 annually for 15 years on or before January 30, beginning January 30, 1999.





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Hinckley Township  
Medina County  
1575 Skyland Drive  
P.O. Box 344  
Hinckley, Ohio 44233-0344

To the Board of Trustees:

We have audited the accompanying financial statements of Hinckley Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 14, 2003. We conducted our audits 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's 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 audits 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's 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 weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 14, 2003.

Hinckley Township  
Medina County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 14, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 15, 2003**