

**Hinckley Township
Medina County, Ohio**

* * * *

Financial Statements

December 31, 2006 and 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Hinckley Township
P.O. Box 344
Hinckley, Ohio 44233

We have reviewed the *Independent Auditor's Report* of Hinckley Township, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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. Hinckley Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 23, 2007

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**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 7, 2007

Board of Trustees
Hinckley Township
Medina County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Hinckley Township, Medina County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2006, as listed in the table of contents. These financial statements are the responsibility of 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 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 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 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 principles 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, 2005 and 2006. Instead of the combined funds the accompanying financial statements present for 2005 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2006. 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 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 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, 2005 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial positions of the Township as of December 31, 2005 and 2006, or their changes in financial positions 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 and reserves for encumbrances of the Hinckley Township, Medina County, Ohio as of December 31, 2005 and 2006, 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, 2005 and 2006. 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 7, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hea & 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, 2006**

	Governmental Fund Types		Fiduciary Fund Types		Total (Memorandum Only)
	General	Special Revenue	Expendable Trust		
CASH RECEIPTS:					
Taxes	\$ 125,931	\$ 1,788,809	\$ 0	\$ 1,914,740	
Charges for Services	0	17,148	0	17,148	
Licenses, Permits, and Fees	0	33,120	0	33,120	
Fines and Forfeitures	27,394	0	0	27,394	
Intergovernmental Receipts	282,153	431,158	0	713,311	
Interest	123,217	4,032	494	127,743	
All Other Revenue	51,671	28,707	0	80,378	
Total Cash Receipts	<u>610,366</u>	<u>2,302,974</u>	<u>494</u>	<u>2,913,834</u>	
CASH DISBURSEMENTS:					
General Government	393,437	28,314	0	421,751	
Public Safety	0	1,215,833	0	1,215,833	
Public Works	4,406	593,167	0	597,573	
Health	0	14,027	0	14,027	
Conservation - Recreation	9,824	0	0	9,824	
Capital Outlay	234,779	202,237	0	437,016	
Total Cash Disbursements	<u>642,446</u>	<u>2,053,578</u>	<u>0</u>	<u>2,696,024</u>	
Total Receipts Over (Under) Disbursements	(32,080)	249,396	494	217,810	
Fund cash balances, beginning of year	<u>694,112</u>	<u>1,787,670</u>	<u>85,996</u>	<u>2,567,778</u>	
Fund cash balances, end of year	<u>\$ 662,032</u>	<u>\$ 2,037,066</u>	<u>\$ 86,490</u>	<u>\$ 2,785,588</u>	
Reserve for encumbrances, December 31	<u>\$ 4,889</u>	<u>\$ 108</u>	<u>\$ 0</u>	<u>\$ 4,997</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, 2005**

	Governmental Fund Types		Fiduciary Fund Types		Total (Memorandum Only)
	General	Special Revenue	Expendable Trust		
CASH RECEIPTS:					
Taxes	\$ 124,823	\$ 1,784,391	\$ 0	\$ 1,909,214	
Charges for Services	0	19,481	0	19,481	
Licenses, Permits, and Fees	0	40,654	0	40,654	
Fines and Forfeitures	33,504	0	0	33,504	
Intergovernmental Receipts	394,207	355,188	0	749,395	
Interest	83,847	1,294	1,305	86,446	
All Other Revenue	59,140	27,856	0	86,996	
Total Cash Receipts	<u>695,521</u>	<u>2,228,864</u>	<u>1,305</u>	<u>2,925,690</u>	
CASH DISBURSEMENTS:					
General Government	385,819	33,224	0	419,043	
Public Safety	0	1,130,081	0	1,130,081	
Public Works	4,218	686,221	0	690,439	
Health	0	13,534	0	13,534	
Conservation - Recreation	39,145	0	0	39,145	
Miscellaneous	125	0	12,288	12,413	
Capital Outlay	9,806	539,614	0	549,420	
Total Cash Disbursements	<u>439,113</u>	<u>2,402,674</u>	<u>12,288</u>	<u>2,854,075</u>	
Total Receipts Over (Under) Disbursements	256,408	(173,810)	(10,983)	71,615	
OTHER FINANCING SOURCES (USES):					
Sale of Property	148,416			148,416	
Operating Transfers - In	0	1,000	0	1,000	
Operating Transfers - Out	(1,000)	0	0	(1,000)	
Total Other Financing Sources (Uses)	<u>147,416</u>	<u>1,000</u>	<u>0</u>	<u>148,416</u>	
Total of Receipts and Other Sources Over (Under) Disbursements and Other Financing Uses	403,824	(172,810)	(10,983)	220,031	
Fund cash balances, beginning of year	<u>290,288</u>	<u>1,960,480</u>	<u>96,979</u>	<u>2,347,747</u>	
Fund cash balances, end of year	<u>\$ 694,112</u>	<u>\$ 1,787,670</u>	<u>\$ 85,996</u>	<u>\$ 2,567,778</u>	
Reserve for encumbrances, December 31	<u>\$ 4</u>	<u>\$ 194,412</u>	<u>\$ 0</u>	<u>\$ 194,416</u>	

The notes to the financial statement 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, 2005**

	Agency Fund
<hr/>	
OPERATING CASH RECEIPTS:	
Interest	\$ 89
Total Cash Receipts	<u>89</u>
OPERATING CASH DISBURSEMENTS:	
Conservation - Recreation	49,204
Total Cash Disbursements	<u>49,204</u>
Total Cash Receipts Over (Under) Cash Disbursements	(49,115)
Fund cash balances, beginning of year	<u>49,115</u>
Fund cash balances, end of year	<u><u>\$ 0</u></u>

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

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**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

NOTE 1: Summary of Significant Accounting Policies

A. Description of the Entity

The Township of Hinckley, (the "Township") 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, police services and street maintenance.

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:

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:

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

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.

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 and Agency 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.

E. Budgetary Process

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

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

NOTE 1: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

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 2006 and 2005 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.

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:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 1,000,652	\$ 861,208
STAROhio	<u>1,784,936</u>	<u>1,706,570</u>
Total deposits and investments	<u><u>\$ 2,785,588</u></u>	<u><u>\$ 2,567,778</u></u>

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

NOTE 2: Equity in Pooled Cash

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 STAROhio 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, 2006 and 2005 was as follows:

	Budgeted vs. Actual Receipts					
	2006			2005		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 509,500	\$ 610,366	\$ 100,866	\$ 402,724	\$ 843,937	\$ 441,213
Special Revenue	2,345,810	2,302,974	(42,836)	2,135,862	2,229,864	94,002
Fiduciary	1,400	494	(906)	2,163	1,394	(769)
Total	<u>\$ 2,856,710</u>	<u>\$ 2,913,834</u>	<u>\$ 57,124</u>	<u>\$ 2,540,749</u>	<u>\$ 3,075,195</u>	<u>\$ 534,446</u>

	Budgeted vs. Actual Expenditures					
	2006			2005		
	Budgeted Expenditures	Actual Expenditures	Variance	Budgeted Expenditures	Actual Expenditures	Variance
General	\$ 836,306	\$ 647,335	\$ (188,971)	\$ 665,305	\$ 440,117	\$ (225,188)
Special Revenue	3,292,003	2,053,686	(1,238,317)	3,344,799	2,597,086	(747,713)
Fiduciary	80,000	0	(80,000)	119,500	61,492	(58,008)
Total	<u>\$ 4,208,309</u>	<u>\$ 2,701,021</u>	<u>\$ (1,507,288)</u>	<u>\$ 4,129,604</u>	<u>\$ 3,098,695</u>	<u>\$ (1,030,909)</u>

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.

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

NOTE 4: Property Tax (continued)

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: Retirement Systems

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. This plan provides 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 2006 and 2005, PERS members contributed 9.0% and 8.5% respectively, of their gross salaries. The Township contributed an amount equal to 13.70% and 13.55% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

NOTE 6: Risk Management

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 \$2,000,000 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 \$1,750,000.

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

NOTE 6: Risk Management (continued)

Property Insurance

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$60 million per occurrence limit. The aggregate stop-loss limit for 2005 (latest information available) was \$1,682,589.

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also, upon withdrawal, payment for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (latest information available) as follows:

<u>Casualty Coverage</u>	2005	2004
Assets	\$ 30,485,638	\$ 28,132,620
Liabilities	<u>12,344,576</u>	<u>11,086,379</u>
Retained Earnings	<u>\$ 18,141,062</u>	<u>\$ 17,046,241</u>
 <u>Property Coverage</u>	 2005	 2004
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	<u>1,406,031</u>	<u>543,176</u>
Retained Earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

**HINCKLEY TOWNSHIP
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**

NOTE 6: Risk Management (continued)

The Casualty coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

NOTE 7: Judgement Payable

During 1998, the Township settled a lawsuit for \$1,253,000, with the Township's insurance company paying \$478,000 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.

Amount still owed at December 31, 2006 for 2007 until 2013 is \$315,000, with \$45,000 due each year.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 7, 2007

The Board of Trustees
Hinckley Township
Medina County, Ohio

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of Hinckley Township as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 7, 2007. We conducted our audit wherein we noted the Township follows 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 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of 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 the basis of accounting prescribed or permitted by the Auditor of State, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected in the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated May 7, 2007.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

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
JUNE 7, 2007**