



Dave Yost • Auditor of State

HINCKLEY TOWNSHIP
MEDINA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hinckley Township
Medina County
1410 Ridge Road
Hinckley, Ohio 44233

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Hinckley Township, Medina County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Hinckley Township, Medina County, Ohio, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2017

Hinckley Township
Medina County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$ 417,401	\$ 1,763,913	\$ 2,181,314
Charges for Services	0	126,776	126,776
Licenses, Permits and Fees	80,521	5,941	86,462
Fines and Forfeitures	30,471	0	30,471
Intergovernmental	165,090	520,671	685,761
Earnings on Investments	9,403	0	9,403
Miscellaneous	18,534	43,629	62,163
<i>Total Cash Receipts</i>	<u>721,420</u>	<u>2,460,930</u>	<u>3,182,350</u>
Cash Disbursements			
Current:			
General Government	398,239	50,584	448,823
Public Safety	0	1,645,100	1,645,100
Public Works	126,499	554,686	681,185
Health	0	20,429	20,429
Capital Outlay	213,148	661,234	874,382
<i>Total Cash Disbursements</i>	<u>737,886</u>	<u>2,932,033</u>	<u>3,669,919</u>
<i>Net Change in Fund Cash Balances</i>	(16,466)	(471,103)	(487,569)
<i>Fund Cash Balances, January 1</i>	<u>1,106,173</u>	<u>3,093,296</u>	<u>4,199,469</u>
Fund Cash Balances, December 31			
Restricted	0	2,403,274	2,403,274
Committed	0	218,919	218,919
Assigned	1,035,550	0	1,035,550
Unassigned (Deficit)	54,157	0	54,157
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,089,707</u>	<u>\$ 2,622,193</u>	<u>\$ 3,711,900</u>

See accompanying notes to the financial statements.

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

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 Hinckley Township, Medina County, Ohio, (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, emergency medical services, and police services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool providing property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

During fiscal year 2016, the Township invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Township measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The Township also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

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 accounts for and reports all financial resources not accounted for and reported in another fund. For financial statement reporting purposes, the Zoning Fund has been included with the General Fund. The Zoning Fund reported \$24,698 in receipts and \$18,210 in disbursements, with an ending fund balance of \$44,484.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had 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.

Special Levy - Police Fund - This fund receives property tax money for the purpose of providing police protection services to the citizens of the Township.

Special Levy - Fire Fund - This fund receives property tax money for the purpose of providing fire protection services to the citizens of the Township.

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

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 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 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 2016 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

Demand Deposits	\$ 1,167,232
Other Time Deposits (CDAR's & STAR Plus)	2,521,710
Total Deposits	<u>3,688,942</u>
STAR Ohio	22,958
Total Deposits and Investments	<u><u>\$ 3,711,900</u></u>

Deposits: Deposits and other time deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

Investments: STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2016, is 52 days and carries a rating of AAAM by S&P Global Ratings.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs Actual Receipts			
	Budget Receipts	Actual Receipts	Variance
General*	\$ 591,328	\$ 721,420	\$ 130,092
Special Revenue	2,261,800	2,460,930	199,130
	\$ 2,853,128	\$ 3,182,350	\$ 329,222

2016 Appropriation vs Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
General*	\$ 1,589,423	\$ 774,864	\$ 814,559
Special Revenue	4,258,473	2,951,952	1,306,521
	\$ 5,847,896	\$ 3,726,816	\$ 2,121,080

**The General Fund includes the Zoning Fund (See Note 1-D.1)*

4. PROPERTY TAX

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

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

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

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

5. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 13.00% if they were police officers or 10.00% for all other employees, of their gross salaries and the Township contributed an amount equaling 18.10% for police officers and 14.00% for all other participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

B. Social Security

Part-time firefighters and members of the Zoning Board and Zoning Board of Appeals contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an equal amount of 6.2% of participants' gross salaries. The Township paid all contributions required through December 31, 2016.

6. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

Financial Position

OTARMA's financial statements (audited by other accountants) conform with general accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016:

Assets	\$ 38,473,283
Liabilities	<u>(8,244,140)</u>
Net Position	<u>\$ 30,229,143</u>

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of member contributions to be billed in the future to approximately 1,010 member governments in the future. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$25,500.

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

<u>Contributions to OTARMA</u>	
2016	\$ 56,643

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no 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

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

8. COMMITMENTS

Encumbrances

The Township utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the Township's commitments for encumbrances in the governmental Funds were as follows:

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2016

Fund	Amount
General	\$ 36,978
Special Revenue	19,919
	\$ 56,897

9. FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund cash balance for the major governmental fund types are presented as follows:

	General Fund	Special Revenue Funds	Total
Restricted for:			
Gasoline Tax	\$ 0	\$ 46,054	\$ 46,054
Cemetery	0	25,437	25,437
Special Levy - Police	0	1,910,462	1,910,462
Special Levy - Fire	0	372,676	372,676
Other Purposes	0	48,645	48,645
Total Restricted	0	2,403,274	2,403,274
Committed to:			
Road and Bridge	0	218,919	218,919
Total Committed	0	218,919	218,919
Assigned for:			
Encumbrances:			
General Government	36,979	0	36,979
Subsequent Year Appropriations	998,571	0	998,571
Total Assigned	1,035,550	0	1,035,550
Unassigned	54,157	0	54,157
Total Fund Cash Balance	\$ 1,089,707	\$ 2,622,193	\$ 3,711,900

Hinckley Township
Medina County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 411,117	\$ 1,741,632	\$ 0	\$ 2,152,749
Charges for Services	0	124,912	0	124,912
Licenses, Permits and Fees	84,761	9,519	0	94,280
Fines and Forfeitures	30,018	0	0	30,018
Intergovernmental	173,782	1,078,148	0	1,251,930
Earnings on Investments	5,067	0	0	5,067
Miscellaneous	17,809	31,481	0	49,290
<i>Total Cash Receipts</i>	<u>722,554</u>	<u>2,985,692</u>	<u>0</u>	<u>3,708,246</u>
Cash Disbursements				
Current:				
General Government	347,647	51,868	0	399,515
Public Safety	0	1,543,359	0	1,543,359
Public Works	21,730	946,674	0	968,404
Health	0	20,890	0	20,890
Capital Outlay	1,112,711	576,172	15,001	1,703,884
<i>Total Cash Disbursements</i>	<u>1,482,088</u>	<u>3,138,963</u>	<u>15,001</u>	<u>4,636,052</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(759,534)</u>	<u>(153,271)</u>	<u>(15,001)</u>	<u>(927,806)</u>
Other Financing Receipts (Disbursements)				
Transfers in	0	0	15,001	15,001
Transfers Out	(15,001)	0	0	(15,001)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(15,001)</u>	<u>0</u>	<u>15,001</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(774,535)</u>	<u>(153,271)</u>	<u>0</u>	<u>(927,806)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,880,708</u>	<u>3,246,567</u>	<u>0</u>	<u>5,127,275</u>
Fund Cash Balances, December 31				
Restricted	0	2,705,832	0	2,705,832
Committed	0	387,464	0	387,464
Assigned	944,745	0	0	944,745
Unassigned (Deficit)	161,428	0	0	161,428
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,106,173</u>	<u>\$ 3,093,296</u>	<u>\$ 0</u>	<u>\$ 4,199,469</u>

See accompanying notes to the financial statements.

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

The Township has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which, is the price the investment could be sold for on December 31, 2015.

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2015

The Township also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

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 accounts for and reports all financial resources not accounted for and reported in another fund. For financial statement reporting purposes, the Zoning Fund has been included with the General Fund. The Zoning Fund reported \$30,531 in receipts and \$21,295 in disbursements, with an ending fund balance of \$37,996.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had 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.

Special Levy - Police Fund - This fund receives property tax money for the purpose of providing police protection services to the citizens of the Township.

Special Levy - Fire Fund - This fund receives property tax money for the purpose of providing fire protection services to the citizens of the Township.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

Public Works Commission Project Fund – This fund is used to account for Ohio Public Works Commission and local resources used to complete capital improvements or projects.

Hinckley Township
Medina County, Ohio
Notes to the Financial Statements
December 31, 2015

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 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 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 2015 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

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Demand Deposits	\$ 1,663,755
Other Time Deposits (CDAR's & STAR Plus)	<u>2,512,879</u>
Total Deposits	4,176,634
STAR Ohio	<u>22,835</u>
Total Deposits and Investments	<u><u>\$ 4,199,469</u></u>

Deposits: Deposits and other time deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2015 is 53 days and carries a rating of AAAM by Standard & Poor's.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs Actual Receipts			
	Budget	Actual	Variance
	Receipts	Receipts	
General*	\$ 669,252	\$ 722,554	\$ 53,302
Special Revenue	2,934,700	2,985,692	50,992
Capital Projects	50,000	15,001	(34,999)
	<u>\$ 3,653,952</u>	<u>\$ 3,723,247</u>	<u>\$ 69,295</u>

2015 Appropriation vs Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General*	\$ 2,200,869	\$ 1,690,413	\$ 510,456
Special Revenue	4,120,355	3,580,986	539,369
Capital Projects	50,000	15,001	34,999
	<u>\$ 6,371,224</u>	<u>\$ 5,286,400</u>	<u>\$ 1,084,824</u>

**The General Fund includes the Zoning Fund (See Note 1-D.1)*

Hinckley Township
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4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 13.00% if they were police officers or 10.00% for all other employees, of their gross salaries and the Township contributed an amount equaling 18.10% for police officers and 14.00% for all other participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

B. Social Security

Part-time firefighters and members of the Zoning Board and Zoning Board of Appeals contribute to Social Security. This plan provides retirement benefits including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an equal amount of 6.2% of participants' gross salaries. The township paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage

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for its members. York Risk Pooling Services, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015 (the latest information available), OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 general accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015:

Assets	\$ 37,313,311
Liabilities	<u>(8,418,518)</u>
Net Position	<u>\$ 28,894,793</u>

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of member contributions to be billed in the future to approximately 989 member governments in the future. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$26,500.

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

<u>Contributions to OTARMA</u>	
2015	50,015

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no 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.

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7. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

8. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the period ending December 31, 2015, the Township has implemented (as they pertain to the regulatory cash basis of accounting) Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Township.

9. COMMITMENTS

Encumbrances

The Township utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the Township's commitments for encumbrances in the governmental Funds were as follows:

Fund	Amount
General	\$ 193,324
Special Revenue	442,023
	<u>\$ 635,347</u>

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10. FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund cash balance for the major governmental fund types are presented as follows:

	General Fund	Special Revenue Funds	Total
Restricted for:			
Gasoline Tax	\$ 0	\$ 32,559	\$ 32,559
Cemetery	0	29,775	29,775
Special Levy - Police	0	1,807,236	1,807,236
Special Levy - Fire	0	786,178	786,178
Other Purposes	0	50,084	50,084
Total Restricted	0	2,705,832	2,705,832
Committed to:			
Road and Bridge	0	387,464	387,464
Total Committed	0	387,464	387,464
Assigned for:			
Encumbrances:			
General Government	37,471	0	37,471
Capital Outlay	155,852	0	155,852
Subsequent Year Appropriations	751,422	0	751,422
Total Assigned	944,745	0	944,745
Unassigned	161,428	0	161,428
Total Fund Cash Balance	\$ 1,106,173	\$ 3,093,296	\$ 4,199,469

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Dave Yost • Auditor of State

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

Hinckley Township
Medina County
1410 Ridge Road
Hinckley, Ohio 44233

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Hinckley Township, Medina County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2017



Dave Yost • 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
DECEMBER 12, 2017**