



Mary Taylor, CPA
Auditor of State

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

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Mary Taylor, CPA
Auditor of State

Saybrook Township
Ashtabula County
7247 Center Road
Ashtabula, Ohio 44004

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

July 28, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Saybrook Township
Ashtabula County
7247 Center Road
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Saybrook Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Saybrook Township, Ashtabula County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 28, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 28, 2010

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$161,752	\$1,594,655	\$1,756,407
Charges for Services		21,478	21,478
Licenses, Permits, and Fees	4,005	12,570	16,575
Intergovernmental	210,832	577,886	788,718
Special Assessments		61,052	61,052
Earnings on Investments	11,787	608	12,395
Miscellaneous	5,524	221,030	226,554
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	393,900	2,489,279	2,883,179
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	418,395		418,395
Public Safety		1,213,384	1,213,384
Public Works	3,781	1,091,293	1,095,074
Health	83,063	29,497	112,560
Capital Outlay	11,786	51,126	62,912
Debt Service:			
Redemption of Principal		60,023	60,023
Interest and Other Fiscal Charges		15,402	15,402
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	517,025	2,460,725	2,977,750
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(123,125)	28,554	(94,571)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):			
Other Financing Sources	286	10,500	10,786
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	286	10,500	10,786
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(122,839)	39,054	(83,785)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	723,858	687,484	1,411,342
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$601,019	\$726,538	\$1,327,557
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$12,059	\$132,938	\$144,997
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Private Purpose Trust</u>	<u>Agency</u>	
Non-Operating Cash Receipts:			
Earnings on Investments	\$0	\$0	\$0
Other Non-Operating Cash Receipts	-	-	-
Total Non-Operating Cash Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	-	-	-
Net Receipts Over/(Under) Disbursements	0	0	0
Fund Cash Balances, January 1	<u>150</u>	<u>6,211</u>	<u>6,361</u>
Fund Cash Balances, December 31	<u>\$150</u>	<u>\$6,211</u>	<u>\$6,361</u>

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$180,958	\$1,663,500	\$0	\$1,844,458
Charges for Services		20,286		20,286
Licenses, Permits, and Fees	6,576	16,895		23,471
Intergovernmental	981,429	526,783	116,070	1,624,282
Special Assessments		58,236		58,236
Earnings on Investments	20,970	2,649		23,619
Miscellaneous	21,735	157,878		179,613
	<u>1,211,668</u>	<u>2,446,227</u>	<u>116,070</u>	<u>3,773,965</u>
Total Cash Receipts				
	<u>1,211,668</u>	<u>2,446,227</u>	<u>116,070</u>	<u>3,773,965</u>
Cash Disbursements:				
Current:				
General Government	381,246			381,246
Public Safety	0	1,191,326		1,191,326
Public Works	3,576	836,508		840,084
Health	81,344	27,538		108,882
Contract Services		61,046		61,046
Capital Outlay	4,893	128,674	116,070	249,637
Debt Service:				
Redemption of Principal	40,000	38,387		78,387
Interest and Other Fiscal Charges	4,068	17,238		21,306
	<u>515,127</u>	<u>2,300,717</u>	<u>116,070</u>	<u>2,931,914</u>
Total Cash Disbursements				
	<u>515,127</u>	<u>2,300,717</u>	<u>116,070</u>	<u>2,931,914</u>
Total Receipts Over/(Under) Disbursements	<u>696,541</u>	<u>145,510</u>	<u>0</u>	<u>842,051</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		30,996		30,996
Transfers-Out	(30,996)			(30,996)
Other Financing Sources	174	9,000		9,174
	<u>(30,822)</u>	<u>39,996</u>	<u>0</u>	<u>9,174</u>
Total Other Financing Receipts / (Disbursements)				
	<u>(30,822)</u>	<u>39,996</u>	<u>0</u>	<u>9,174</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	665,719	185,506	0	851,225
Fund Cash Balances, January 1	58,139	501,978	0	560,117
	<u>58,139</u>	<u>501,978</u>	<u>0</u>	<u>560,117</u>
Fund Cash Balances, December 31	<u><u>\$723,858</u></u>	<u><u>\$687,484</u></u>	<u><u>\$0</u></u>	<u><u>\$1,411,342</u></u>
Reserve for Encumbrances, December 31	<u><u>\$19,902</u></u>	<u><u>\$84,747</u></u>	<u><u>\$0</u></u>	<u><u>\$104,649</u></u>

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Private Purpose Trust</u>	<u>Agency</u>	
Non-Operating Cash Receipts:			
Earnings on Investments	\$0	\$0	\$0
Other Non-Operating Cash Receipts	-	-	-
Total Non-Operating Cash Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	-	-	-
Total Non-Operating Cash Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Net Receipts Over/(Under) Disbursements	0	0	0
Fund Cash Balances, January 1	<u>150</u>	<u>6,211</u>	<u>6,361</u>
Fund Cash Balances, December 31	<u>\$150</u>	<u>\$6,211</u>	<u>\$6,361</u>

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Saybrook Township, Ashtabula County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Geneva-on-the-Lake, Ashtabula City, and Austinburg Township to provide dispatching services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

OTARMA is a member of the American Public Entities 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.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

STAR Ohio funds are recorded at share values.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Fire District Tax Fund - This fund receives property tax money to provide fire protection and emergency medical services to the Township.

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio for the Hallwood Allotment Rehabilitation.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals for cemetery grave upkeep and maintenance.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund (Unclaimed Monies Fund) accounts for outstanding, stale-dated checks which represent a legal debt of the Township.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

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

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 also approve estimated resources.

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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:

	2009	2008
Demand deposits	\$14,005	\$122,343
Other time deposits (savings and NOW accounts)	1,136,645	1,112,597
Total deposits	1,150,650	1,234,940
Investments- STAR Ohio	183,268	182,763
Total deposits and investments	\$1,333,918	\$1,417,703

Deposits: 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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$325,000	\$394,186	\$69,186
Special Revenue	2,227,500	2,499,779	272,279
Fiduciary	0	0	0
Total	\$2,552,500	\$2,893,965	\$341,465

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,048,857	\$529,084	\$519,773
Special Revenue	2,914,980	2,593,663	321,317
Fiduciary	6,361	0	6,361
Total	\$3,970,198	\$3,122,747	\$847,451

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,035,000	\$1,211,842	\$176,842
Special Revenue	2,102,000	2,486,223	384,223
Capital Projects	198,000	116,070	(81,930)
Total	\$3,335,000	\$3,814,135	\$479,135

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,093,139	\$566,025	\$527,114
Special Revenue	2,603,978	2,385,464	218,514
Capital Projects	198,000	116,070	81,930
Total	\$3,895,117	\$3,067,559	\$827,558

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.

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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. TAX INCENTIVE DONATION

In January 2003, a Tax Incentive Donation Agreement was made and entered into by and between the Saybrook Township Trustees, Ashtabula County, Ohio and Plastpro 2000, Inc., Livingston, New Jersey.

Ashtabula County, Ohio (the County) with the approval of Saybrook Township, Ashtabula County, Ohio (the Township) has indicated a willingness to grant an exemption for improvements to real property and for certain personal property investment of \$31,614,100 in a manufacturing facility to be located in the North Bend Industrial Park in Saybrook Township. The tax abatement is 100% for a 10 year period after completion of the project.

Payments in lieu of taxes were credited to the following funds:

Fund	2008	2009
General	\$737	\$352
Road and Bridge	16,574	7,900
Fire Levy	19,520	9,304
Total	\$36,831	\$17,556

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note #110074	\$283,724	4.25%
OPWC Loan - Hallwood Project	\$178,200	0%
Total	<u>\$461,924</u>	

In October 2006, the Township issued a promissory note (\$400,000) pursuant to the authority in Sections 505.262 Ohio Revised Code to finance the construction of a township road building.

The OPWC Loan was part of the grant agreement for the Hallwood Allotment Rehabilitation Project.

The note and loan are backed by the full faith and credit of the Township.

Amortization of the above debt, including interest, is scheduled as follows:

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT (Continued)

Year ending December 31:	Promissory Note #1100714	OPWC Loan
2010	55,625	19,800
2011	55,625	19,800
2012	55,625	19,800
2013	55,625	19,800
2014	55,625	19,800
2015-2017	55,625	79,200
Total	<u>\$333,750</u>	<u>\$178,200</u>

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters and belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2009 and 2008, OPERS members contributed 10 of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

8. 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 for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, 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 ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT (Continued)

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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT - (Continued)

<u>Contributions to OTARMA</u>	
2007	\$36,656
2008	\$ 32,523

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future 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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Mary Taylor, CPA

Auditor of State

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

Saybrook Township
Ashtabula County
7247 Center Road
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited the financial statements of Saybrook Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated July 28, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America.

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 our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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

We noted certain matters we reported to the Township's management in a separate letter dated July 28, 2010.

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, providing an opinion 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*.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
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www.auditor.state.oh.us

Saybrook Township
Ashtabula County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

July 28, 2010



Mary Taylor, CPA
Auditor of State

SAYBROOK TOWNSHIP

ASHTABULA 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
AUGUST 19, 2010**