



Dave Yost • Auditor of State

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

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Dave Yost • Auditor of State

Saybrook Township
Ashtabula County
7247 Center Road
Ashtabula, Ohio 44004

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Saybrook Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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

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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or 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 combined cash balances of Saybrook Township, Ashtabula County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 26, 2014, 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 26, 2014

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$187,810	\$1,785,678	\$0	\$1,973,488
Charges for Services		265,491		265,491
Licenses, Permits and Fees	9,763	16,770		26,533
Intergovernmental	96,948	451,748		548,696
Special Assessments		75,534		75,534
Earnings on Investments	1,741	176		1,917
Miscellaneous	3,445	19,549		22,994
<i>Total Cash Receipts</i>	<u>299,707</u>	<u>2,614,946</u>	-	<u>2,914,653</u>
Cash Disbursements				
Current:				
General Government	305,402			305,402
Public Safety		1,342,345		1,342,345
Public Works	4,248	961,202		965,450
Health	84,546	9,497		94,043
Capital Outlay		54,393		54,393
Debt Service:				
Principal Retirement		71,847	44,000	115,847
Interest and Fiscal Charges		13,136		13,136
<i>Total Cash Disbursements</i>	<u>394,196</u>	<u>2,452,420</u>	<u>44,000</u>	<u>2,890,616</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(94,489)</u>	<u>162,526</u>	<u>(44,000)</u>	<u>24,037</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		120,000		120,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(94,489)</u>	<u>282,526</u>	<u>(44,000)</u>	<u>144,037</u>
<i>Fund Cash Balances, January 1</i>	<u>445,701</u>	<u>897,583</u>	<u>44,195</u>	<u>1,387,479</u>
Fund Cash Balances, December 31				
Restricted		1,006,267	195	1,006,462
Assigned	536	173,842		174,378
Unassigned (Deficit)	350,676			350,676
<i>Fund Cash Balances, December 31</i>	<u>\$351,212</u>	<u>\$1,180,109</u>	<u>\$195</u>	<u>\$1,531,516</u>

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Miscellaneous	\$39	\$0	\$39
<i>Total Operating Cash Receipts</i>	<u>39</u>	<u>-</u>	<u>39</u>
Operating Cash Disbursements			
Claims	39		39
<i>Total Operating Cash Disbursements</i>	<u>39</u>	<u>-</u>	<u>39</u>
<i>Operating Income (Loss)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	-	-	-
<i>Fund Cash Balances, January 1</i>	<u>6,240</u>	<u>150</u>	<u>6,390</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,240</u></u>	<u><u>\$150</u></u>	<u><u>\$6,390</u></u>

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$184,431	\$1,763,202		\$1,947,633
Charges for Services		224,836		224,836
Licenses, Permits and Fees	6,240	14,515		20,755
Intergovernmental	218,930	586,746		805,676
Special Assessments		74,171		74,171
Earnings on Investments	2,215	137		2,352
Miscellaneous	3,328	13,937		17,265
<i>Total Cash Receipts</i>	<u>415,144</u>	<u>2,677,544</u>	-	<u>3,092,688</u>
Cash Disbursements				
Current:				
General Government	324,066			324,066
Public Safety	0	1,263,276		1,263,276
Public Works	3,848	1,340,784		1,344,632
Health	87,171	22,673		109,844
Capital Outlay	260	397,861	80,805	478,926
Debt Service:				
Principal Retirement		66,078		66,078
Interest and Fiscal Charges		9,347		9,347
<i>Total Cash Disbursements</i>	<u>415,345</u>	<u>3,100,019</u>	<u>80,805</u>	<u>3,596,169</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(201)</u>	<u>(422,475)</u>	<u>(80,805)</u>	<u>(503,481)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources		300,000		300,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
<i>Net Change in Fund Cash Balances</i>	(201)	(122,475)	(80,805)	(203,481)
<i>Fund Cash Balances, January 1</i>	<u>445,902</u>	<u>1,020,058</u>	<u>125,000</u>	<u>1,590,960</u>
Fund Cash Balances, December 31				
Restricted		887,035	44,195	931,230
Assigned	829	10,548		11,377
Unassigned (Deficit)	444,872			444,872
<i>Fund Cash Balances, December 31</i>	<u>\$445,701</u>	<u>\$897,583</u>	<u>\$44,195</u>	<u>\$1,387,479</u>

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Miscellaneous	\$20	\$0	\$20
<i>Total Operating Cash Receipts</i>	<u>20</u>	<u>-</u>	<u>20</u>
<i>Operating Income (Loss)</i>	<u>20</u>	<u>-</u>	<u>20</u>
<i>Net Change in Fund Cash Balances</i>	20	-	20
<i>Fund Cash Balances, January 1</i>	<u>6,220</u>	<u>150</u>	<u>6,370</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,240</u></u>	<u><u>\$150</u></u>	<u><u>\$6,390</u></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, 2013 AND 2012**

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 them with fire, dispatching and ambulance services.

Township participates in jointly governed organizations, and a public entity risk pool. Notes 8 and Note 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA) a risk-sharing pool available to Ohio Townships.

Jointly Governed Organizations:

Saybrook-Ashtabula Joint Economic Development District

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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 accounts for and reports all financial resources not accounted for and reported in another fund.

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.

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

Capital Equipment Fund - This fund receives property tax money from the Fire District Fund to provide fire protection equipment for the Township.

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) account for outstanding, stale-dated checks which represent a legal debt of the Township.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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. 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 2013 and 2012 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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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:

	2013	2012
Other time deposits (savings and NOW accounts)	531,042	477,087
Total deposits	531,042	477,087
Money Market Mutual Fund	823,083	733,073
STAR Ohio	183,781	183,709
Total investments	1,006,864	916,782
Total deposits and investments	\$1,537,906	\$1,393,869

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township

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, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,481	\$299,707	\$59,226
Special Revenue	2,454,467	2,734,946	280,479
Capital Projects	7,000	0	(7,000)
Fiduciary	0	39	39
Total	\$2,701,948	\$3,034,692	\$332,744

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$686,829	\$394,196	\$292,633
Special Revenue	3,357,306	2,452,420	904,886
Capital Projects	51,000	44,000	7,000
Fiduciary	6,390	39	6,351
Total	\$4,101,525	\$2,890,655	\$1,210,870

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$277,668	\$415,144	\$137,476
Special Revenue	2,566,345	2,977,544	411,199
Capital Projects	0	0	0
Fiduciary	230	20	(210)
Total	\$2,844,243	\$3,392,708	\$548,465

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$718,585	\$415,345	\$303,240
Special Revenue	3,624,022	3,100,019	524,003
Capital Projects	211,000	80,805	130,195
Fiduciary	6,365	0	6,365
Total	\$4,559,972	\$3,596,169	\$963,803

4. 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 with the approval of Saybrook Township has indicated a willingness to grant an Exemption for improvements to real Property and for certain personal property investments of \$31,514,100 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.

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

Fund	2012	2013
General	\$435	\$435
Road & Bridge	9,782	9,782
Fire Levy	11,519	11,519
Total	\$21,736	\$21,736

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Road Building Note	\$102,789	4.75%
OPWC Hallwood Note	99,000	0.00%
Road Dept Truck Note	120,000	2.75%
Fire Truck Lease	252,442	2.00%
Total	\$574,231	

In October 2005, the Township issued a promissory note in the amount of \$400,000 pursuant to the authority in Section 505.252 Ohio Revised Code to finance the construction of a township road building.

The Ohio Public Works Commission (OPWC) Loan was part of the grant agreement for the Hallwood Allotment Rehabilitation Project. The promissory note is backed by the full faith and credit of the Township.

In August 2012, the Township entered a lease purchase agreement with U.S. Bank in the amount of \$300,000 to purchase a fire truck for the Fire District.

In November 2013, the Township issued a promissory note in the amount of \$120,000 pursuant to the authority in Section 5549.021(A) Ohio Revised Code to finance a Road Department Truck with plow.

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

Year ending December 31:	Building Note	OPWC Note	Road Truck Note	Fire Truck Lease
2014	\$55,625	\$19,800	\$26,042	\$53,558
2015	54,518	19,800	26,042	53,558
2016		19,800	26,042	53,558
2017		19,800	26,042	53,558
2018		19,800	26,042	53,558
Total	\$110,143	\$99,000	\$130,210	\$267,790

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. 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.

7. Retirement Systems

The Township's certified Fire Fighters and full-time Police Officers 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 2013 and 2012, OP&F participants contributed 10% of their wages. For 2013 and 2012, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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, 2013 AND 2012
(Continued)**

8. Risk Management (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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 generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	2013	2012
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$28,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$50,525	\$48,439

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management (Continued)

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 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.

9. Jointly Governed Organizations

The City of Ashtabula and Saybrook Township have formed a Joint Economic Development District (JEDD) which was formed under Chapter 715.72 through 715.83 of the Ohio Revised Code. The District was formed in 2013 for the purpose of facilitating economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the county, the Township, the City, and the JEDD served. The JEDD is administered by a Board of locally appointed officials and local business leaders.



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

Saybrook Township
Ashtabula County
4858 Cork-Cold Springs Road
Geneva, Ohio 44041

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 Saybrook Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2014 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs [delete reference to questioned costs unless they are reported] we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 26, 2014

SAYBROOK TOWNSHIP
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Material Noncompliance - Material Weakness

1. Proper Posting of Debt and Revenue Transactions

<i>Finding Number</i>	2013-001
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Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Further, the Ohio Rev. Code § 507.04 states the fiscal officer must keep an accurate record of the Township's accounts and transactions.

The Township's Debt Service expenditure transactions were not always classified or recorded to the correct financial statement line items, based on the UAN descriptions and nature of the transactions.

In 2012 the Township posted Debt Service Principal charges as a Public Works expenditure for \$19,800; the Road Department Building Debt Service and Principal and Interest Charges were recorded as Capital Outlay for \$55,625 of which \$46,278 was a Principal payment and \$9,347 was an Interest payment.

Proceeds from the 2012 Capital Lease for \$300,000 to purchase a fire truck were recorded as the Sale of Notes instead of Other Financing Sources on the Financial Statements.

In 2013 the Township posted Debt Service Principal charges as a Public Works expenditure for \$19,800; the Road Department Building Debt Service and Principal and Interest Charges as Capital outlays for \$55,625 of which \$48,489 was a Principal payment and \$7,136 was the Interest payment; the Fire Truck lease payment was posted to Capital Project Fund as Capital Outlay for \$44,000 all of which should be posted as a Principal payment, and in the Special Revenue Fire District Fund posted lease payments as Capital Outlay for \$9,558 of which \$3,558 was Principal and \$6,000 was an Interest payment.

In 2012 and 2013 the Township posted \$204,389 and \$230,638 respectively of EMS and dispatching services revenue as Other Revenue instead of Charges for Services.

The failure to accurately record revenues and expenditures and record them to the proper line item resulted in misstatements to the financial statements. The Township has made the corrections in the revenue and expenditure accounts and they are reflected in the financial statements. The lack of accurate recordkeeping may prevent the Township from receiving and depositing funds collected or due or expending money that is not available or appropriated both of which could result in the potential misstatement of financial statement amounts.

Material Noncompliance - Material Weakness (Continued)

1. Proper posting of Debt and Revenue Transactions

We recommend the Township use the Ohio Township Handbook and UAN Chart of Accounts as sources of information regarding the proper recording of revenues and expenditures transactions

Official Response: The Township has made corrections in 2014 to their UAN system accounts.



Dave Yost • 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
DECEMBER 11, 2014**