



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:

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 23, 2013

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Dave Yost • 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, 2011 and 2010. 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 Libraries 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Saybrook Township, Ashtabula County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Saybrook Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, 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.

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

October 23, 2013

**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, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$179,170	\$1,878,961		\$2,058,131
Charges for Services		22,690		22,690
Licenses, Permits and Fees	3,875	17,795		21,670
Intergovernmental	191,000	822,419		1,013,419
Special Assessments		57,856		57,856
Earnings on Investments	2,116	124		2,240
Miscellaneous	618	389,219	\$121,671	511,508
<i>Total Cash Receipts</i>	<u>376,779</u>	<u>3,189,064</u>	<u>121,671</u>	<u>3,687,514</u>
Cash Disbursements				
Current:				
General Government	334,111			334,111
Public Safety		1,269,836		1,269,836
Public Works	4,278	1,371,722		1,376,000
Health	84,960	23,703		108,663
Conservation-Recreation	424	131,465		131,889
Contract Services			121,671	121,671
<i>Total Cash Disbursements</i>	<u>423,773</u>	<u>2,796,726</u>	<u>121,671</u>	<u>3,342,170</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(46,994)</u>	<u>392,338</u>	<u>0</u>	<u>345,344</u>
Other Financing Receipts (Disbursements)				
Transfers In			125,000	125,000
Transfers Out		(125,000)		(125,000)
Other Financing Sources	1,075	7,500		8,575
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,075</u>	<u>(117,500)</u>	<u>125,000</u>	<u>8,575</u>
<i>Net Change in Fund Cash Balances</i>	<u>(45,919)</u>	<u>274,838</u>	<u>125,000</u>	<u>353,919</u>
<i>Fund Cash Balances, January 1</i>	<u>491,821</u>	<u>745,220</u>	<u>0</u>	<u>1,237,041</u>
Fund Cash Balances, December 31				
Restricted	0	969,824	125,000	1,094,824
Assigned	917	50,234	0	51,151
Unassigned (Deficit)	444,985	0	0	444,985
<i>Fund Cash Balances, December 31</i>	<u><u>\$445,902</u></u>	<u><u>\$1,020,058</u></u>	<u><u>\$125,000</u></u>	<u><u>\$1,590,960</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)
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Miscellaneous	\$230		\$230
<i>Total Operating Cash Receipts</i>	230	0	230
Operating Cash Disbursements			
Other	230		230
<i>Total Operating Cash Disbursements</i>	230	0	230
<i>Operating Income (Loss)</i>	0	0	0
<i>Fund Cash Balances, January 1</i>	6,220	150	6,370
<i>Fund Cash Balances, December 31</i>	<u>\$6,220</u>	<u>\$150</u>	<u>\$6,370</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
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$170,648	\$1,740,736	\$0	\$1,911,384
Charges for Services		6,200		6,200
Licenses, Permits, and Fees	5,475	14,815		20,290
Intergovernmental	253,975	507,820		761,795
Special Assessments		61,208		61,208
Earnings on Investments	4,110	220		4,330
Miscellaneous	44,736	209,748	130,139	384,623
	<u>478,944</u>	<u>2,540,747</u>	<u>130,139</u>	<u>3,149,830</u>
Total Cash Receipts				
	<u>478,944</u>	<u>2,540,747</u>	<u>130,139</u>	<u>3,149,830</u>
Cash Disbursements:				
Current:				
General Government	434,237			434,237
Public Safety		1,230,988		1,230,988
Public Works	4,474	934,526		939,000
Health	83,869	26,932		110,801
Conservation - Recreation	24,941	374,737		399,678
Contract Services			130,139	130,139
	<u>547,521</u>	<u>2,567,183</u>	<u>130,139</u>	<u>3,244,843</u>
Total Cash Disbursements				
	<u>547,521</u>	<u>2,567,183</u>	<u>130,139</u>	<u>3,244,843</u>
Total Receipts Over/(Under) Disbursements	<u>(68,577)</u>	<u>(26,436)</u>	<u>0</u>	<u>(95,013)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		41,220		41,220
Transfers-Out	(41,220)			(41,220)
Other Financing Sources	599	3,900		4,499
	<u>(40,621)</u>	<u>45,120</u>	<u>0</u>	<u>4,499</u>
Total Other Financing Receipts / (Disbursements)				
	<u>(40,621)</u>	<u>45,120</u>	<u>0</u>	<u>4,499</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(109,198)</u>	<u>18,684</u>	<u>0</u>	<u>(90,514)</u>
Fund Cash Balances, January 1	<u>601,019</u>	<u>726,536</u>	<u>0</u>	<u>1,327,555</u>
Fund Cash Balances, December 31	<u>\$491,821</u>	<u>\$745,220</u>	<u>\$0</u>	<u>\$1,237,041</u>
Reserve for Encumbrances, December 31	<u>\$11,186</u>	<u>\$115,891</u>	<u>\$0</u>	<u>\$127,077</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 - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Private Purpose Trust</u>	<u>Agency</u>	
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	\$0	\$8	8
Total Non-Operating Cash Receipts	<u>0</u>	<u>8</u>	<u>8</u>
Non-Operating Cash Disbursements:			
Net Receipts Over/(Under) Disbursements	0	8	8
Fund Cash Balances, January 1	<u>150</u>	<u>6,212</u>	<u>6,362</u>
Fund Cash Balances, December 31	<u><u>\$150</u></u>	<u><u>\$6,220</u></u>	<u><u>\$6,370</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, 2011 AND 2010**

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 these entities. These organizations are:

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.

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

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:

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

3. Capital Project Funds

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 Hallwood Project.

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 Unclaimed Monies Agency Fund accounts for outstanding stale-dated checks which represent a legal debt of the Township.

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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 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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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:

	2011	2010
Other time deposits (savings and NOW accounts)	\$831,855	\$361,086
Total deposits	831,855	361,086
Money Market Mutual Fund	581,905	698,859
STAR Ohio - Investment	183,570	183,466
Total deposits and investments	\$1,597,330	\$1,243,411

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 Money Market Mutual Funds are not evidenced by securities that exist in physical or book-entry form.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,225	\$377,854	\$245,629
Special Revenue	2,649,933	3,196,564	546,631
Capital Projects	361,700	246,671	(115,029)
Fiduciary	109	230	121
Total	\$3,143,967	\$3,821,319	\$677,352

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$732,474	\$423,733	\$308,741
Special Revenue	3,378,333	2,921,726	456,607
Capital Projects	361,700	121,671	240,029
Fiduciary	6,470	230	6,240
Total	\$4,478,977	\$3,467,360	\$1,011,617

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$406,260	\$479,543	\$73,283
Special Revenue	2,414,969	2,585,867	170,898
Capital Projects	251,816	130,139	(121,677)
Fiduciary	100	8	(92)
Total	\$3,073,145	\$3,195,557	\$122,412

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,006,260	\$599,927	\$406,333
Special Revenue	3,143,369	2,683,074	460,295
Capital Projects	251,816	130,139	121,677
Total	\$4,401,445	\$3,413,140	\$988,305

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 \$31,614,100 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	2010	2011
General	\$352	\$435
Road & Bridge	7,900	9,782
Fire Levy	9,304	11,519
Total	<u>\$17,556</u>	<u>\$21,736</u>

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Debt - Promissary Note	\$197,496	4.75%
OPWC Loan	138,000	0%
Total	<u>\$335,496</u>	

In October 2006, the Township issued a promissory note in the amount of \$400,000 pursuant to the authority in Section 505.262 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.

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

Year ending December 31:	Promissory	
	<u>Note Building</u>	<u>OPWC Loan</u>
2012	\$55,625	\$19,800
2013	55,625	19,800
2014	55,625	19,800
2015	54,497	19,800
2016		19,800
2017-2018		39,000
Total	<u>\$221,372</u>	<u>\$138,000</u>

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trust11s 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.

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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2011 and 2010, 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, 2011.

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, 2011 AND 2010
(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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, 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>2011</u>	<u>2010</u>
\$43,011	\$36,775

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.



Dave Yost • 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 (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 23, 2013 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and we noted the Township adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the period ending December 31, 2011. 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*.

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.

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*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 23, 2013.

We intend this report solely for the information and use of management, the audit committee, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 23, 2013



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
NOVEMBER 7, 2013**