



Mary Taylor, CPA
Auditor of State

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fiduciary Fund Types - For the Year Ended December 31, 2007	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fiduciary Fund Types - For the Year Ended December 31, 2006	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19

THIS PAGE INTENTIONALLY LEFT BLANK.



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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 19, 2008

THIS PAGE INTENTIONALLY LEFT BLANK.



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, 2007 and 2006. 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

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, 2007 and 2006, 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 December 19, 2008 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 19, 2008

**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, 2007**

	<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	\$177,261	\$1,641,285	\$0	\$1,818,546
Charges for Services		99,260		99,260
Licenses, Permits, and Fees	6,212	17,530		23,742
Intergovernmental	144,526	334,114	81,930	560,570
Special Assessments		60,240		60,240
Earnings on Investments	54,719	4,824		59,543
Miscellaneous	3,736	48,210		51,946
	<u>386,454</u>	<u>2,205,463</u>	<u>81,930</u>	<u>2,673,847</u>
Total Cash Receipts				
	<u>386,454</u>	<u>2,205,463</u>	<u>81,930</u>	<u>2,673,847</u>
Cash Disbursements:				
Current:				
General Government	350,312			350,312
Public Safety	537	1,216,192		1,216,729
Public Works	3,951	1,286,912		1,290,863
Health	78,952	28,581		107,533
Capital Outlay	258	620,973	81,930	703,161
Debt Service:				
Redemption of Principal		57,628		57,628
Interest and Other Fiscal Charges		20,594		20,594
	<u>434,010</u>	<u>3,230,880</u>	<u>81,930</u>	<u>3,746,820</u>
Total Cash Disbursements				
	<u>434,010</u>	<u>3,230,880</u>	<u>81,930</u>	<u>3,746,820</u>
Total Receipts Over/(Under) Disbursements	<u>(47,556)</u>	<u>(1,025,417)</u>	<u>0</u>	<u>(1,072,973)</u>
Other Financing Receipts / (Disbursements):				
Other Financing Sources	3,523			3,523
	<u>3,523</u>			<u>3,523</u>
Total Other Financing Receipts / (Disbursements)	<u>3,523</u>	<u>0</u>	<u>0</u>	<u>3,523</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(44,033)</u>	<u>(1,025,417)</u>	<u>0</u>	<u>(1,069,450)</u>
Fund Cash Balances, January 1	<u>102,172</u>	<u>1,527,395</u>		<u>1,629,567</u>
Fund Cash Balances, December 31	<u><u>\$58,139</u></u>	<u><u>\$501,978</u></u>	<u><u>\$0</u></u>	<u><u>\$560,117</u></u>
Reserve for Encumbrances, December 31	<u><u>\$22,412</u></u>	<u><u>\$75,236</u></u>	<u><u>\$0</u></u>	<u><u>\$97,648</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, 2007**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Private Purpose Trust	Agency	
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	\$0	\$24	\$24
Total Non-Operating Cash Receipts	0	24	24
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	0	0
Total Non-Operating Cash Disbursements	0	0	0
Net Receipts Over/(Under) Disbursements	0	24	24
Fund Cash Balances, January 1	150	6,187	6,337
Fund Cash Balances, December 31	\$150	\$6,211	\$6,361

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, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$172,835	\$1,804,866	\$1,977,701
Charges for Services		5,118	5,118
Licenses, Permits, and Fees	5,778	11,995	17,773
Intergovernmental	199,364	333,421	532,785
Special Assessments		58,248	58,248
Earnings on Investments	84,129	4,185	88,314
Miscellaneous	4,519	55,351	59,870
	<u>466,625</u>	<u>2,273,184</u>	<u>2,739,809</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	381,053		381,053
Public Safety		1,121,435	1,121,435
Public Works	3,381	937,401	940,782
Health	83,403	23,843	107,246
Capital Outlay	3,488	707,435	710,923
Debt Service:			
Redemption of Principal	19,137		19,137
Interest and Other Fiscal Charges	3,459		3,459
	<u>493,921</u>	<u>2,790,114</u>	<u>3,284,035</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(27,296)</u>	<u>(516,930)</u>	<u>(544,226)</u>
Other Financing Receipts / (Disbursements):			
Sale of Notes		400,000	400,000
Other Financing Sources	427		427
	<u>427</u>	<u>400,000</u>	<u>400,427</u>
Total Other Financing Receipts / (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(26,869)	(116,930)	(143,799)
Fund Cash Balances, January 1	<u>129,041</u>	<u>1,644,325</u>	<u>1,773,366</u>
Fund Cash Balances, December 31	<u>\$102,172</u>	<u>\$1,527,395</u>	<u>\$1,629,567</u>
Reserve for Encumbrances, December 31	<u>\$4,913</u>	<u>\$406,809</u>	<u>\$411,722</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, 2006**

	<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	\$0	\$0
Total Non-Operating Cash Receipts	0	0	0
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	0	0
Total Non-Operating Cash Disbursements	0	0	0
Net Receipts Over/(Under) Disbursements	0	0	0
Fund Cash Balances, January 1	150	6,187	6,337
Fund Cash Balances, December 31	<u>\$150</u>	<u>\$6,187</u>	<u>\$6,337</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, 2007 AND 2006**

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 and Ashtabula City to provide dispatching services.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool. Note 7 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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. Cash and Investments

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

The Township values money market accounts at cost. 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:

1. General Fund

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Special Assessment Fund – This fund received lighting assessment proceeds with the real estate tax settlements received from the county auditor.

3. Capital Project Fund

This fund is used to 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's agency fund (Unclaimed Monies 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 exceed estimated resources.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2007 and 2006 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$85,085	\$13,096
Money Market account	303,194	1,453,359
Total deposits	388,279	1,466,455
STAR Ohio	178,199	169,449
Total investments	178,199	169,449
Total deposits and investments	\$566,478	\$1,635,904

Deposits: Deposits are either 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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$390,000	\$389,977	(\$23)
Special Revenue	2,196,000	2,205,463	9,463
Capital Projects	198,000	81,930	(116,070)
Total	<u>\$2,784,000</u>	<u>\$2,677,370</u>	<u>(\$106,630)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$493,929	\$456,422	\$37,507
Special Revenue	3,713,635	3,306,116	407,519
Capital Projects	198,000	81,930	116,070
Total	<u>\$4,405,564</u>	<u>\$3,844,468</u>	<u>\$561,096</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$411,500	\$467,052	\$55,552
Special Revenue	2,553,000	2,673,184	120,184
Total	<u>\$2,964,500</u>	<u>\$3,140,236</u>	<u>\$175,736</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$542,298	\$498,834	\$43,464
Special Revenue	4,195,064	3,196,923	998,141
Total	<u>\$4,737,362</u>	<u>\$3,695,757</u>	<u>\$1,041,605</u>

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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.

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 for 100% for a 10 year period after completion of the project.

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

<u>Fund</u>	<u>2007</u>	<u>2006</u>
General	\$560	\$560
Road and Bridge	11,760	11,760
Fire District	15,680	15,680
Total	<u>\$28,000</u>	<u>\$28,000</u>

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Promissory Note #1100621	\$42,462	4.25%
Promissory Note #1100714	362,334	4.75%
OPWC Loan	198,000	0.00%
Total	\$602,796	

In October 2004, the Township issued a promissory note (\$100,000) pursuant to the authority in Section 511.11 of the Ohio Revised Code for the purchase of real property for Township use.

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

An OPWC loan was part of the grant agreement for the Hallwood Allotment Rehabilitation project.

The notes and loan are 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 Note #1100621	Promissory Note #1100714	OPWC Loan
2008	\$22,596	\$55,625	\$19,800
2009	22,596	55,625	19,800
2010		55,625	19,800
2011		55,625	19,800
2012		55,625	19,800
2013-2017		166,878	99,000
Total	\$45,192	\$445,003	\$198,000

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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RETIREMENT SYSTEMS - (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT - (Continued)

Risk Pool Membership

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three 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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT - (Continued)

Risk Pool Membership

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$34,456. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2005	\$39,392
2006	\$39,924
2007	\$36,656

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital 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.

THIS PAGE INTENTIONALLY LEFT BLANK.



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 Township Board of Trustees:

We have audited the financial statements of the Saybrook Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 19, 2008, 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. 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 that we reported to the Township's management in a separate letter dated December 19, 2008.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

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 noncompliance or other matters that we reported to the Township's management in a separate letter dated December 19, 2008.

We intend this report solely for the information and use of the management and the Township Board of Trustees. 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

December 19, 2008



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
JANUARY 6, 2009**