



Dave Yost • Auditor of State

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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 of the cash balances, receipts and disbursements by fund type, and related notes of Saybrook Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 October 12, 2016, 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

October 12, 2016

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$205,816	\$1,808,898	\$0	\$2,014,714
Charges for Services		241,796		241,796
Licenses, Permits and Fees	8,660	2,139		10,799
Intergovernmental	68,694	424,666		493,360
Special Assessments		79,548		79,548
Earnings on Investments	1,113	60		1,173
Miscellaneous	6,272	43,112		49,384
<i>Total Cash Receipts</i>	<u>290,555</u>	<u>2,600,219</u>	<u>0</u>	<u>2,890,774</u>
Cash Disbursements				
Current:				
General Government	258,053			258,053
Public Safety		1,604,437		1,604,437
Public Works	1,065	1,226,002		1,227,067
Health		24,092		24,092
Human Services		178		178
Debt Service:				
Principal Retirement		144,630		144,630
Interest and Fiscal Charges		9,175		9,175
<i>Total Cash Disbursements</i>	<u>259,118</u>	<u>3,008,514</u>	<u>0</u>	<u>3,267,632</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>31,437</u>	<u>(408,295)</u>	<u>0</u>	<u>(376,858)</u>
<i>Fund Cash Balances, January 1</i>	<u>296,291</u>	<u>1,010,877</u>	<u>195</u>	<u>1,307,363</u>
Fund Cash Balances, December 31				
Restricted		602,582	195	602,777
Unassigned (Deficit)	<u>327,728</u>			<u>327,728</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$327,728</u></u>	<u><u>\$602,582</u></u>	<u><u>\$195</u></u>	<u><u>\$930,505</u></u>

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

Saybrook Township
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Fiduciary Fund Types
For the Year Ended December 31, 2015

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Miscellaneous	\$18,316	\$0	\$18,316
<i>Total Operating Cash Receipts</i>	<u>18,316</u>	<u>0</u>	<u>18,316</u>
Operating Cash Disbursements			
Purchased Services	10,316	0	10,316
<i>Total Operating Cash Disbursements</i>	<u>10,316</u>	<u>0</u>	<u>10,316</u>
<i>Operating Income (Loss)</i>	<u>8,000</u>	<u>0</u>	<u>8,000</u>
<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>\$14,240</u></u>	<u><u>\$150</u></u>	<u><u>\$14,390</u></u>

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

Saybrook Township
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2014

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$191,396	\$1,839,118	\$0	\$2,030,514
Charges for Services		258,899		258,899
Licenses, Permits and Fees	5,500	5,864		11,364
Fines and Forfeitures	955			955
Intergovernmental	63,649	449,047		512,696
Special Assessments		80,727		80,727
Earnings on Investments	1,039	458		1,497
Miscellaneous	3,649	54,751		58,400
<i>Total Cash Receipts</i>	<u>266,188</u>	<u>2,688,864</u>	<u>0</u>	<u>2,955,052</u>
Cash Disbursements				
Current:				
General Government	309,713			309,713
Public Safety		1,473,991		1,473,991
Public Works	11,396	1,203,056		1,214,452
Health		25,530		25,530
Human Services		494		494
Debt Service:				
Principal Retirement		141,966		141,966
Interest and Fiscal Charges		13,059		13,059
<i>Total Cash Disbursements</i>	<u>321,109</u>	<u>2,858,096</u>	<u>0</u>	<u>3,179,205</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,921)</u>	<u>(169,232)</u>	<u>0</u>	<u>(224,153)</u>
<i>Fund Cash Balances, January 1</i>	<u>351,212</u>	<u>1,180,109</u>	<u>195</u>	<u>1,531,516</u>
Fund Cash Balances, December 31				
Restricted		1,010,877	195	1,011,072
Unassigned (Deficit)	296,291			296,291
<i>Fund Cash Balances, December 31</i>	<u>\$296,291</u>	<u>\$1,010,877</u>	<u>\$195</u>	<u>\$1,307,363</u>

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

Saybrook Township
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Fiduciary Fund Types
For the Year Ended December 31, 2014

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Operating Cash Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
<i>Operating Income (Loss)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 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, the City of Ashtabula, and Austinburg Township to provide them with fire, dispatching and ambulance services.

The Township participates in jointly governed organizations and a public entity risk pool. Notes 8 and 10 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:

City of Ashtabula and Saybrook Township Joint Economic Development District

City of Ashtabula and Saybrook Township Route 20 Joint Economic Development District

OTARMA is a member of the American Public Entities Excess Pool (APEEP). Member governments pay annual contribution 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

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, 2015 AND 2014**

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.

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 funds account for a Fire Escrow fund where a portion of fire insurance proceeds paid by the claimant is held by Township to ensure proper cleanup of fire damaged structures and the Unclaimed Money fund for outstanding, stale-dated checks which represent a legal debt of the Township.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Demand deposits	<u>\$760,858</u>	<u>\$1,129,911</u>
STAR Ohio	<u>184,037</u>	<u>183,842</u>
Total deposits and investments	<u><u>\$944,895</u></u>	<u><u>\$1,313,753</u></u>

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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,600	\$290,555	\$27,955
Special Revenue	2,694,000	2,600,219	(93,781)
Total	\$2,956,600	\$2,890,774	(\$65,826)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$547,654	\$259,118	\$288,536
Special Revenue	3,552,000	3,008,514	543,486
Capital Projects	195	0	195
Fiduciary	150	0	150
Total	\$4,099,999	\$3,267,632	\$832,367

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,267	\$266,188	\$145,921
Special Revenue	2,382,205	2,688,864	306,659
Total	\$2,502,472	\$2,955,052	\$452,580

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$472,682	\$321,109	\$151,574
Special Revenue	3,561,112	2,858,096	701,762
Capital Projects	195	0	195
Fiduciary	150	0	150
Total	\$4,034,139	\$3,179,205	\$853,681

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 granted an exemption for improvements to real property and for certain person 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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. TAX INCENTIVE DONATION (CONTINUED)

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

Fund	2015	2014
General	\$435	\$435
Road & Bridge	9,782	9,782
Fire Levy	11,519	11,519
Total	<u>\$21,736</u>	<u>\$21,736</u>

5. 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.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OPWC Hallwood Note	\$59,400	0.00%
Road Dept Truck Note	\$73,721	2.75%
Fire Truck Lease	154,454	2.00%
Total	<u>\$287,575</u>	

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 Township paid the note off in 2015.

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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

6. DEBT (CONTINUED)

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

Year Ending December 31:	OPWC Note	Road Truck Note	Fire Truck Lease
2016	\$19,800	\$26,042	\$53,558
2017	19,800	26,042	53,558
2018	19,800	26,042	53,558
Total	<u>\$59,400</u>	<u>\$78,126</u>	<u>\$160,674</u>

7. RETIREMENT SYSTEMS

The Township’s certified Fire Fighters 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 2015 and 2014, OP&F participants contributed 12.25% and 11.5%, respectively of their wages. For 2015 and 2014, the Township contributed to OP&F an amount equal to 24% of full time fire fighters’ wages, respectively. For 2015 and 2014, 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, 2015.

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.

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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

8. RISK MANAGEMENT (CONTINUED)

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$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>2015</u>	<u>2014</u>
\$52,418	\$50,439

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.

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

9. RELATED PARTY TRANSACTIONS

A Township Trustee is employed part time by Brobst Tree Service which is owned by the Trustee's son. During 2015 and 2014, the Township paid \$6,359 and \$1,190 respectively to the company.

10. JOINTLY GOVERNED ORGANIZATIONS

The City of Ashtabula and Saybrook Township have formed two Joint Economic Development Districts (JEDD). The City of Ashtabula and Saybrook Township JEDD and the City of Ashtabula and Saybrook Township State Route 20 JEDD which were both formed under Chapter 715.72 through 715.83 of the Ohio Revised Code. The Districts were formed in 2013 and 2014, respectively, 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, that the JEDD served. The JEDD's are administered by a Board of locally appointed officials and local business leaders.

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Dave Yost • Auditor of State

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

Saybrook Township
Ashtabula County
7247 Center Road
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Saybrook Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 12, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

October 12, 2016

**SAYBROOK TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Proper Posting of Debt and Revenue Transactions	No	Finding was Partially corrected. Repeated in Management letter

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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 10, 2016**