



**Auditor of State
Betty Montgomery**

PARIS TOWNSHIP
PORTAGE COUNTY

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Paris Township
Portage County
9174 Newton Falls Road
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of Paris Township, Portage County (the Township) as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 3, 2004

**PARIS TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$26,405	\$100,716	\$38,831	\$165,952
Intergovernmental	67,334	68,775	4,474	140,583
Charges for Services		13,242		13,242
Licenses, Permits, and Fees	10,199	7,750		17,949
Earnings on Investments	788	139		927
Other Revenue	5,191	6,370		11,561
Total Cash Receipts	<u>109,917</u>	<u>196,992</u>	<u>43,305</u>	<u>350,214</u>
Cash Disbursements:				
Current:				
General Government	74,473	31,875		106,348
Public Safety	14,853	146,116		160,969
Public Works	1,443	121,853		123,296
Health		12,346		12,346
Debt Service:				
Redemption of Principal			36,000	36,000
Interest and Fiscal Charges			6,784	6,784
Capital Outlay			4,164	4,164
Total Cash Disbursements	<u>90,769</u>	<u>312,190</u>	<u>46,948</u>	<u>449,907</u>
Total Receipts Over/(Under) Disbursements	<u>19,148</u>	<u>(115,198)</u>	<u>(3,643)</u>	<u>(99,693)</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes		70,000		70,000
Total Other Financing Receipts	<u>0</u>	<u>70,000</u>	<u>0</u>	<u>70,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>19,148</u>	<u>(45,198)</u>	<u>(3,643)</u>	<u>(29,693)</u>
Fund Cash Balances, January 1	<u>111,633</u>	<u>192,132</u>	<u>32,114</u>	<u>335,879</u>
Fund Cash Balances, December 31	<u><u>\$130,781</u></u>	<u><u>\$146,934</u></u>	<u><u>\$28,471</u></u>	<u><u>\$306,186</u></u>

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

**PARIS TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$23,861	\$97,627	\$38,919	\$160,407
Intergovernmental	63,361	67,558	5,604	136,523
Charges for Services		9,051		9,051
Licenses, Permits, and Fees	5,184	5,875		11,059
Earnings on Investments	1,799	212		2,011
Other Revenue	9,926	12,414		22,340
	<u>104,131</u>	<u>192,737</u>	<u>44,523</u>	<u>341,391</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	77,980	4,279		82,259
Public Safety	14,050	24,995		39,045
Public Works	1,380	128,520		129,900
Health		9,037		9,037
Debt Service:				
Redemption of Principal		10,000	36,000	46,000
Interest and Fiscal Charges		329	7,859	8,188
Capital Outlay			87,268	87,268
	<u>93,410</u>	<u>177,160</u>	<u>131,127</u>	<u>401,697</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>10,721</u>	<u>15,577</u>	<u>(86,604)</u>	<u>(60,306)</u>
Fund Cash Balances, January 1	<u>100,912</u>	<u>176,555</u>	<u>118,718</u>	<u>396,185</u>
Fund Cash Balances, December 31	<u>\$111,633</u>	<u>\$192,132</u>	<u>\$32,114</u>	<u>\$335,879</u>

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

**PARIS TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Paris Township, Portage County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township's investments consisted solely of an interest bearing checking account. Investments are reported as assets – accordingly, interest gains are recorded as receipts.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from 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.

Fire Protection Fund – This fund receives property tax money to provide fire protection services to the residents of the Township.

**PARIS TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Township had the following significant capital project fund:

Road Garage – The Township is making payments on a note used to construct a building for the Township's road equipment.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 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 canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2003 was \$306,186 and at December 31, 2002 was \$335,879.

**PARIS TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,496	\$109,917	\$10,421
Special Revenue	178,457	266,992	88,535
Capital Projects	113,901	43,305	(70,596)
Total	\$391,854	\$420,214	\$28,360

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211,129	\$90,769	\$120,360
Special Revenue	370,589	312,190	58,399
Capital Projects	146,016	46,948	99,068
Total	\$727,734	\$449,907	\$277,827

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,309	\$104,131	\$9,822
Special Revenue	174,711	192,737	18,026
Capital Projects	42,760	44,523	1,763
Total	\$311,780	\$341,391	\$29,611

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$195,220	\$93,410	\$101,810
Special Revenue	351,266	177,160	174,106
Capital Projects	161,478	131,127	30,351
Total	\$707,964	\$401,697	\$306,267

**PARIS TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Note for Road Garage	\$108,000	4.65%
Note for Fire Truck	70,000	3.35%
Total	\$178,000	

The Road Garage Note was issued in 2001 for \$180,000 for the construction of a Township garage. Repayments are being made annually over the period of 5 years. Payments are \$36,000 principal plus interest. The notes are collateralized solely by the Township's taxing authority.

The Fire Truck Note was issued in 2003 to finance the purchase of a Fire Pumper Truck to be used within the Township. The note will be repaid in annual installments of \$23,333, plus interest, over 3 years. The notes are collateralized by tax revenues levied and collected annually under the Special Revenue, Fire Department Fund.

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

	Road Garage Note	Fire Truck Note
Year ending December 31:		
2004	\$41,022	\$25,678
2005	39,348	24,897
2006	37,674	24,115
2007		24,115
Total	\$118,044	\$98,805

**PARIS TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS

Most of the Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. However, two Trustees and the Clerk contribute to social security in lieu of PERS. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

**PARIS TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT – (Continued)

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 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

8. RELATED PARTY TRANSACTIONS

The Township Clerk's husband and brother-in-law are part-time road employees at the Township, and also own a construction business (Shaulis Contracting) that does business with the Township. During 2003 and 2002, Shaulis Contracting rented machinery such as bulldozers and mechanical shovels to the Township. It was also awarded a contract by the Township through competitive bidding procedures for work on the new road department building, and for work on a septic tank.

The Township issues Shaulis Contracting a Form 1099 for its services, and issues a Form W-2 for employee wages. The Township disbursed \$35,490 in 2003, and \$4,010 in 2002 to Shaulis contracting.

For 2003 and 2002, \$1,789 and \$1,746, respectively, represent the amounts related to equipment rental.

Township Trustees believe the Township is saving money by not having to purchase road equipment.



**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Paris Township
Portage County
9174 Newton Falls Road
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the financial statements of Paris Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 3, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed implemented, and as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving

the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 3, 2004.

This report is intended solely for the information and use of the management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 3, 2004



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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PARIS TOWNSHIP

PORTAGE 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
MAY 18, 2004**