

BIG ISLAND TOWNSHIP
COLUMBUS REGION, MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Big Island Township
Marion, Ohio

We have reviewed the *Independent Auditors' Report* of Big Island Township, Marion County, prepared by Holbrook & Manter, CPAs, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Big Island Township, Marion County, is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

October 21, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Big Island Township
Marion County

We have audited the accompanying financial statements of Big Island Township, Marion County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003. 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 audits.

We conducted our audits 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 audits 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State of Ohio 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Big Island Township, Marion County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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.

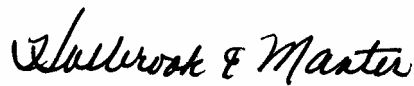
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MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2005 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.



Certified Public Accountants

July 15, 2005

**BIG ISLAND TOWNSHIP
MARION COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Special Revenue	Capital Projects	Total Memorandum Only
Cash receipts:				
Local taxes	\$ 33,985	\$ 22,267	\$ 0	\$ 56,252
Intergovernmental	44,000	76,739	8,908	129,647
Interest	357	648	0	1,005
Fines, licenses, and permits	0	320	0	320
Miscellaneous	9,142	140	0	9,282
Total cash receipts	87,484	100,114	8,908	196,506
Cash disbursements:				
Current:				
Public health services	13,000	1,962	0	14,962
Public safety	0	25,165	0	25,165
Public works	24,114	40,455	0	64,569
General government	57,698	1,000	0	58,698
Capital Outlay	0	18,210	8,908	27,118
Total cash disbursements	94,812	86,792	8,908	190,512
Total receipts over (under) cash disbursements	(7,328)	13,322	0	5,994
Other financing receipts:				
Other financing sources	0	2,300	0	2,300
Total other financing receipts	0	2,300	0	2,300
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(7,328)	15,622	0	8,294
Fund cash balances, January 1, 2004	74,589	67,367	0	141,956
Fund cash balances, December 31, 2004	\$ 67,261	\$ 82,989	\$ 0	\$ 150,250

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

**BIG ISLAND TOWNSHIP
MARION 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

	General	Special Revenue	Total Memorandum Only
Cash receipts:			
Local taxes	\$ 33,279	\$ 21,948	\$ 55,227
Intergovernmental	31,615	64,460	96,075
Interest	341	587	928
Fines, licenses, and permits	0	715	715
Miscellaneous	3,871	0	3,871
Total cash receipts	69,106	87,710	156,816
Cash disbursements:			
Current:			
Public health services	13,263	1,109	14,372
Public safety	0	24,424	24,424
Public works	0	45,798	45,798
General government	51,890	1,023	52,913
Capital Outlay	0	25,000	25,000
Total cash disbursements	65,153	97,354	162,507
Total receipts over (under) cash disbursements	3,953	(9,644)	(5,691)
Other financing receipts:			
Other financing sources	0	500	500
Total other financing receipts	0	500	500
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	3,953	(9,144)	(5,191)
Fund cash balances, January 1, 2003	70,636	76,511	147,147
Fund cash balances, December 31, 2003	\$ 74,589	\$ 67,367	\$ 141,956

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

BIG ISLAND TOWNSHIP
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Big Island Township, Marion 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 three publicly-elected Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Salt Rock Township to provide fire services, and Stofcheck Ambulance Service, Inc., to provide ambulance services.

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

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 of Ohio.

Investments - Investments are not reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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:

Motor Vehicle License Tax Fund

This fund receives motor vehicle tax money for constructing, maintaining, and repairing township roads.

Gasoline Tax Fund

This fund receives gasoline tax money for constructing, maintaining, and repairing township roads.

Fire District Fund

This fund receives local tax money for fire protection services for the Township.

Capital Projects Fund

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

BIG ISLAND TOWNSHIP
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Issue II Fund

The Township received a grant from the Ohio Public Works Commission (OPWC) to resurface and reconstruct roads.

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

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. The Marion County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Marion County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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.

NOTE 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 and investments at December 31 was as follows:

	2004	2003
Demand deposits	\$ 93,718	\$ 86,138
STAR Ohio	56,532	55,818
Total Deposits	\$ 150,250	\$ 141,956

Deposits - The Townships deposits are insured by either the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the township.

BIG ISLAND TOWNSHIP
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the years ending December 31, 2004 and 2003 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 55,609	\$ 87,484	\$ 31,875
Special Revenue	84,979	102,415	17,436
Capital Projects	<u>0</u>	<u>8,908</u>	<u>8,908</u>
Total	\$ <u><u>140,588</u></u>	\$ <u><u>198,807</u></u>	\$ <u><u>58,219</u></u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 130,197	\$ 94,812	\$ 35,385
Special Revenue	152,347	86,792	65,555
Capital Projects	<u>0</u>	<u>8,908</u>	<u>(8,908)</u>
Total	\$ <u><u>282,544</u></u>	\$ <u><u>190,512</u></u>	\$ <u><u>92,032</u></u>

Contrary to Ohio law, during 2004, the budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by \$8,908.

BIG ISLAND TOWNSHIP
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 55,864	\$ 69,105	\$ 13,241
Special Revenue	<u>86,043</u>	<u>88,211</u>	<u>2,168</u>
Total	\$ <u><u>141,907</u></u>	\$ <u><u>157,316</u></u>	\$ <u><u>15,409</u></u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 73,276	\$ 65,153	\$ 8,123
Special Revenue	<u>160,574</u>	<u>97,354</u>	<u>63,220</u>
Total	\$ <u><u>233,850</u></u>	\$ <u><u>162,507</u></u>	\$ <u><u>71,343</u></u>

BIG ISLAND TOWNSHIP
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 4 – PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 Marion County by December 31. If the property owner elects to make semiannual payments, 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 Marion 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.

NOTE 5 – RETIREMENT SYSTEMS:-

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost – sharing, multiple – employee plan. This plan provides retirement benefits, including post-retirement 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. For 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Township has paid all contributions required through December 31, 2004.

NOTE 6 – RISK MANAGEMENT:-

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Big Island Township
Marion County

We have audited the accompanying financial statements of Big Island Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 15, 2005, wherein we noted the Township had followed accounting practices the Auditor of State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 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 we have reported to the management of the Township in a separate letter dated July 15, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated July 15, 2005.

This report is intended solely for the information and use of management and Board of Trustees. It 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 'Holbrook & Manter' in a cursive script.

Certified Public Accountants

July 15, 2005

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MEMBERS
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CERTIFIED PUBLIC ACCOUNTANTS



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BIG ISLAND TOWNSHIP

MARION 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, 2005**