

**VIOLET TOWNSHIP  
FAIRFIELD COUNTY, OHIO**

***FINANCIAL STATEMENTS***

FOR THE YEAR ENDED  
DECEMBER 31, 2016





# Dave Yost • Auditor of State

Board of Trustees  
Violet Township  
12970 Rustic Drive  
Pickerington, OH 43147

We have reviewed the *Independent Auditor's Report* of Violet Township, Fairfield County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. 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.

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. Violet Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 17, 2018

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**VIOLET TOWNSHIP  
FAIRFIELD COUNTY, OHIO**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Violet Township  
Fairfield County  
12970 Rustic Drive  
Pickerington, Ohio 43147

To the Board of Trustees:

#### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Violet Township, Fairfield County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Violet Township's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 Violet 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 Violet Township's internal control. Accordingly, we express no such 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Violet Township, Fairfield County, Ohio, as of December 31, 2016, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Fire District Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 15 to the financial statements, during 2016, Violet Township has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of Violet 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 Violet Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
September 4, 2018



**Violet Township**  
*Fairfield County, Ohio*  
*Statement of Net Position - Cash Basis*  
*December 31, 2016*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$16,638,657
<i>Total Assets</i>	<i>\$16,638,657</i>
 <b>Net Position</b>	
Restricted for:	
Capital Projects	\$6,085,430
Debt Service	1,205,005
Other Purposes	6,793,344
Unrestricted	2,554,878
<i>Total Net Position</i>	<i>\$16,638,657</i>

See accompanying notes to the basic financial statements

**Violet Township**  
*Fairfield County, Ohio*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
General Government	\$1,522,357	\$0	\$0	\$0	(\$1,522,357)
Public Safety	9,774,921	985,171	0	0	(8,789,750)
Public Works	1,137,267	0	1,713,267	954,936	1,530,936
Health	120,365	0	0	0	(120,365)
Conservation-Recreation	1,618	0	0	0	(1,618)
Capital Outlay	4,053,930	0	0	0	(4,053,930)
Debt Service:					
Principal Retirement	683,924	0	0	0	(683,924)
Interest and Fiscal Charges	361,447	0	0	0	(361,447)
<b>Total Governmental Activities</b>	<b>\$ 17,655,829</b>	<b>\$ 985,171</b>	<b>\$ 1,713,267</b>	<b>\$ 954,936</b>	<b>\$ (14,002,455)</b>
General Receipts:					
Property Taxes Levied for:					
					540,402
					10,157,130
					974,231
					606,766
					5,000,000
					850,187
					441,257
					48,501
					462,435
					80,391
					22,309
Total General Receipts, Contributions to Permanent Fund, Special Item, Extraordinary Item, Transfers and Advances					19,183,609
<i>Change in Net Position</i>					5,181,154
<i>Net Position Beginning of Year</i>					11,457,503
<i>Net Position End of Year</i>					<b>\$16,638,657</b>

See accompanying notes to the basic financial statements

**Violet Township**  
 Fairfield County, Ohio  
 Statement of Assets and Fund Balances - Cash Basis  
 Governmental Funds  
 December 31, 2016

	General	Fire District	Fire Bonds for Station	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,964,879	\$7,543,587	\$3,459,264	\$2,670,927	\$16,638,657
<i>Total Assets</i>	<u>\$2,964,879</u>	<u>\$7,543,587</u>	<u>\$3,459,264</u>	<u>\$2,670,927</u>	<u>\$16,638,657</u>
<b>Fund Balances</b>					
Nonspendable	\$0	\$0	\$0	\$0	\$0
Restricted	\$410,000	\$7,543,587	\$3,459,264	\$2,670,927	14,083,778
Committed	\$0	\$0	\$0	\$0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	2,554,879	0	0	0	2,554,879
<i>Total Fund Balances</i>	<u>\$2,964,879</u>	<u>\$7,543,587</u>	<u>\$3,459,264</u>	<u>\$2,670,927</u>	<u>\$16,638,657</u>

See accompanying notes to the basic financial statements

**Violet Township**  
Fairfield County, Ohio  
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2016

	General	Fire District	Fire Bonds for Station	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$540,402	\$10,157,130	\$0	\$974,231	\$11,671,763
Charges for Services	0	781,301	0	203,870	985,171
Licenses, Permits and Fees	458,585	0	0	3,850	462,435
Intergovernmental	606,766	907,084	0	1,761,119	3,274,969
Special Assessments	0	0	0	5,668	5,668
Earnings on Investments	78,575	0	0	1,816	80,391
Miscellaneous	1,259	9,522	0	5,860	16,641
<i>Total Receipts</i>	<u>1,685,587</u>	<u>11,855,037</u>	<u>0</u>	<u>2,956,414</u>	<u>16,497,038</u>
<b>Disbursements</b>					
Current:					
General Government	1,061,088	0	0	461,269	1,522,357
Public Safety	60,644	9,525,206	0	189,071	9,774,921
Public Works	0	0	0	1,137,267	1,137,267
Health	120,365	0	0	0	120,365
Conservation-Recreation	1,618	0	0	0	1,618
Capital Outlay	3,562	518,317	1,540,736	1,991,315	4,053,930
Debt Service:					
Principal Retirement	0	519,754	0	164,170	683,924
Interest and Fiscal Charges	0	174,920	127,479	59,048	361,447
<i>Total Disbursements</i>	<u>1,247,277</u>	<u>10,738,197</u>	<u>1,668,215</u>	<u>4,002,140</u>	<u>17,655,829</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>438,310</u>	<u>1,116,840</u>	<u>(1,668,215)</u>	<u>(1,045,726)</u>	<u>(1,158,791)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Bonds	0	0	5,000,000	0	5,000,000
Other Debt Proceeds	0	0	0	850,187	850,187
Premium and Accrued Interest on Debt	0	313,778	127,479	0	441,257
Sale of Capital Assets	0	48,501	0	0	48,501
Transfers In	0	0	0	348,313	348,313
Transfers Out	(348,313)	0	0	0	(348,313)
Advances In	757,546	0	0	0	757,546
Advances Out	0	0	0	(757,546)	(757,546)
<i>Total Other Financing Sources (Uses)</i>	<u>409,233</u>	<u>362,279</u>	<u>5,127,479</u>	<u>440,954</u>	<u>6,339,945</u>
<i>Net Change in Fund Balances</i>	<u>847,543</u>	<u>1,479,119</u>	<u>3,459,264</u>	<u>(604,772)</u>	<u>5,181,154</u>
<i>Fund Balances Beginning of Year (restated)</i>	<u>2,117,336</u>	<u>6,064,468</u>	<u>0</u>	<u>3,275,699</u>	<u>11,457,503</u>
<i>Fund Balances End of Year</i>	<u>\$2,964,879</u>	<u>\$7,543,587</u>	<u>\$3,459,264</u>	<u>\$2,670,927</u>	<u>\$16,638,657</u>

See accompanying notes to the basic financial statements

**Violet Township**  
*Fairfield County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$513,999	\$513,999	\$540,402	\$26,403
Licenses, Permits and Fees	397,000	397,000	458,585	61,585
Intergovernmental	485,800	485,800	606,766	120,966
Earnings on Investments	500	500	78,575	78,075
Miscellaneous	0	0	1,259	1,259
<i>Total Receipts</i>	<i>1,397,299</i>	<i>1,397,299</i>	<i>1,685,587</i>	<i>288,288</i>
<b>Disbursements</b>				
Current:				
General Government	1,272,510	1,272,510	1,073,445	199,065
Public Safety	65,000	65,000	65,000	0
Health	123,400	123,400	120,365	3,035
Conservation-Recreation	30,000	30,000	1,618	28,382
Capital Outlay	7,500	7,500	3,562	3,938
<i>Total Disbursements</i>	<i>1,498,410</i>	<i>1,498,410</i>	<i>1,263,990</i>	<i>234,420</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(101,111)</i>	<i>(101,111)</i>	<i>421,597</i>	<i>522,708</i>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	0	(491,283)	(491,283)	0
Advances In	0	0	757,546	757,546
<i>Total Other Financing Sources (Uses)</i>	<i>0</i>	<i>(491,283)</i>	<i>266,263</i>	<i>757,546</i>
<i>Net Change in Fund Balance</i>	<i>(101,111)</i>	<i>(592,394)</i>	<i>687,860</i>	<i>1,280,254</i>
<i>Unencumbered Fund Balance Beginning of Year</i>	<i>1,849,770</i>	<i>1,849,770</i>	<i>1,849,770</i>	<i>0</i>
Prior Year Encumbrances Appropriated	536	536	536	0
<i>Unencumbered Fund Balance End of Year</i>	<i>\$1,749,195</i>	<i>\$1,257,912</i>	<i>\$2,538,166</i>	<i>\$1,280,254</i>

See accompanying notes to the basic financial statements

**Violet Township**  
*Fairfield County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Fire District Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$9,670,000	\$9,670,000	\$10,157,130	\$487,130
Charges for Services	700,000	700,000	781,301	81,301
Intergovernmental	871,000	871,000	907,084	36,084
Miscellaneous	0	0	9,522	9,522
<i>Total Receipts</i>	<u>11,241,000</u>	<u>11,241,000</u>	<u>11,855,037</u>	<u>614,037</u>
<b>Disbursements</b>				
Current:				
Public Safety	10,063,035	10,281,035	9,525,206	755,829
Capital Outlay	1,715,888	1,715,888	518,317	1,197,571
Debt Service:				
Principal Retirement	607,312	607,312	519,754	87,558
Interest and Fiscal Charges	174,920	174,920	174,920	0
<i>Total Disbursements</i>	<u>12,561,155</u>	<u>12,779,155</u>	<u>10,738,197</u>	<u>2,040,958</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,320,155)</u>	<u>(1,538,155)</u>	<u>1,116,840</u>	<u>2,654,995</u>
<b>Other Financing Sources (Uses)</b>				
Premium and Accrued Interest on Debt	0	313,778	313,778	0
Sale of Capital Assets	0	0	48,501	48,501
Transfers In	0	2,305,000	2,000,000	(305,000)
Transfers Out	(1,500,000)	(2,000,000)	(2,000,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,500,000)</u>	<u>618,778</u>	<u>362,279</u>	<u>(256,499)</u>
<i>Net Change in Fund Balance</i>	(2,820,155)	(919,377)	1,479,119	2,398,496
<i>Unencumbered Fund Balance Beginning of Year</i>	6,027,976	6,027,976	6,027,976	0
Prior Year Encumbrances Appropriated	36,492	36,492	36,492	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$3,244,313</u>	<u>\$5,145,091</u>	<u>\$7,543,587</u>	<u>\$2,398,496</u>

See accompanying notes to the basic financial statements

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

Violet Township, Fairfield County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

***Primary Government***

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The primary government of the Township provides the following services to its citizens: general government services, maintenance of Township roads and bridges, fire protection and emergency medical services.

***Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools***

The Township participates in two jointly governed organizations: a joint venture and a public entity risk pool.

The Township participates in two jointly governed organizations, the Fairfield County Regional Planning Commission and the Metropolitan Emergency Communication Consortium (MECC) Regional Council of Governments. Note 13 to the financial statements provides additional information for these entities.

The Township participates in a Public Entity Risk Pool, the Ohio Township Association Risk Management Agency (OTARMA). Note 7 to the financial statements provides additional information for this entity.

The Township participates in a joint venture with the City of Canal Winchester. Note 12 to the financial statements provides additional information about this venture.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting section of this Note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Basis of Presentation***

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash and cash equivalents balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

***Fund Financial Statements*** During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

***Fund Accounting***

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary. The Township only has governmental funds.

***Governmental Funds*** Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

***General*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Fire District Fund*** This fund receives property tax receipts to pay for the operation of the Township Fire Department.

***Fire Bonds for Station Fund*** This fund receives other financing sources to pay for cost associated with replacement of township fire station.



**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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The other governmental funds of the Township account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

***Basis of Accounting***

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

***Cash and Investments***

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are 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 negative receipts (contra revenue), respectively.

During 2016, the Township invested in negotiable certificates of deposit, U.S. Treasury Agency Securities, a money market mutual fund, Municipal Bonds, and STAR Ohio. The negotiable certificates of deposit, the U.S. Treasury Bills and Municipal Bonds are reported at cost. The Township's money market mutual fund investment is recorded at the amount reported by Fifth Third Securities on December 31, 2016.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Township measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 was \$78,575 which includes \$66,514 assigned from other Township funds.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Township had no restricted assets at December 31, 2016.

***Inventory and Prepaid Items***

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***Capital Assets***

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

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Interfund Receivables/Payables***

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

***Long-Term Obligations***

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes mainly includes resources restricted for operation of the fire department and road and bridge maintenance.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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***Restricted*** Fund balance is reported as 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.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not 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. State Statute authorizes the Township Clerk to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

***Internal Activity***

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. The Township has no business-type activities.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) and fund budgeted elsewhere.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

**Net Change in Fund Balance**

	General	Major Fire District
Cash Basis	\$847,543	\$1,479,119
Encumbrances	(16,713)	0
Funds budgeted elsewhere	(142,970)	0
Budget Basis	\$687,860	\$1,479,119

**Note 4 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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***Deposits***

At December 31, 2016, the carrying amount of all Township deposits was \$8,668,982. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2016, \$500,000 of the Township’s bank balance of \$8,743,667 was covered by the FDIC and \$8,243,667 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Township’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township. The Township has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

***Investments***

As of December 31, 2016, the Township had the following investments

Investment Type	Measurement Value	Investment Maturities (in Years)				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio: amortized cost	49,991	49,991				
Negotiable CDs	\$3,983,788	\$500,000	\$1,241,788	\$498,000	\$998,000	\$746,000
Municipal Bonds	812,444	360,000	452,444			
U.S. Treasury agency securities	2,523,505					2,523,505
Money Market	599,947	599,947				
<b>Total Investments</b>	<b>\$7,969,675</b>	<b>\$1,509,938</b>	<b>\$1,694,232</b>	<b>\$498,000</b>	<b>\$998,000</b>	<b>\$3,269,505</b>

***Interest Rate Risk*** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township’s investment policy addresses interest rate risk by requiring that the Township’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market to maturity, and by investing operating funds primarily in short term investments.

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**Credit Risk** The security underlying the U.S. Treasury agency securities carry a rating of Aaa by Moody's and AA+ by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Money Market account carries a rating of AAAM by Standard & Poor's and Aaa-mf by Moody's. Municipal bonds held by the Township carry a rating of at least Aa with Moody's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The negotiable CD does not carry a credit risk rating with a nationally recognized standard rating service.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Concentration of Credit Risk** The Township places no limit on the amount it may invest in any one issuer. The following investments represents total investments as of December 31, 2016:

Investment Issuer	Percentage of Investments
STAR Ohio	0.62 %
Negotiable CDs	49.99
Municipal Bonds	10.19
U.S. Treasury agency securities	31.66
Money Market	7.54
Total	100.00 %

**Note 5 - Taxes**

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.



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Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2016, was \$17.85 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$1,077,196,880
Public Utility Personal Property	<u>16,443,940</u>
Total	<u><u>\$1,093,640,820</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**Note 6 - Interfund Balances and Transfers**

*Transfers*

During 2016, the following transfers were made:

	<u>Transfer from</u>
<u>Transfer to</u>	<u>General</u>
Non-Major Funds:	
Other Governmental Funds	<u>\$ 348,313</u>
Total all Funds	<u><u>\$ 348,313</u></u>

The above mentioned Transfers From/To were used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 7 - Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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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), 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, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$29,490.

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.

<b>2016 Contributions to OTARMA</b>
\$66,535

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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.

**Note 8 - Defined Benefit Pension Plan**

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – Township employees, other than firefighters and EMS personnel, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Township employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	18.1 %
Employee	10.0 %	*
<b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	12.0 %

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Township's contractually required contribution was \$239,913 for year 2016.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description – Township firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Firefighters</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	24.00 %
Employee	12.25 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	23.50 %
Post-employment Health Care Benefits	0.50
Total Employer	24.00 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Township's contractually required contribution to OPF was \$1,661,582 for 2016.

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***Social Security***

Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

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Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

Substantially all of the Township's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$17,136, \$16,656, and \$15,475, respectively. The full amount has been contributed for all three years.

***Ohio Police and Fire Pension Fund***

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.



**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$34,616, \$35,746, and \$25,627, respectively. The full amount has been contributed for all three years.

**Note 10 – Debt**

***Long-Term Obligations***

The Township's long-term debt activity for the year ended December 31, 2016, was as follows:

	Amount Outstanding 12/31/15	Additions	Deletions	Amount Outstanding 12/31/16	Amounts Due in One Year
<b>Governmental Activities</b>					
Refunding Bonds:					
Series 2015	\$ 2,420,000	\$ -	\$ (150,000)	\$ 2,270,000	\$ 150,000
General Obligation Bonds:					
Series 2016	-	5,000,000	(205,000)	4,795,000	190,000
OPWC loans:					
Mingo Estates Infrastructure Improvements Phase II	-	850,187	(14,170)	836,017	28,340
Capital leases:					
Rescue Engine 591 Lease	207,700	-	(207,700)	-	-
Rescue Engine 592 Lease	668,090	-	(101,660)	566,430	104,741
<b>Total Governmental Activities</b>	<b>\$ 3,295,790</b>	<b>\$ 5,850,187</b>	<b>\$ (678,530)</b>	<b>\$ 8,467,447</b>	<b>\$ 473,081</b>

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

**Refunding Bonds – Series 2015** – On March 19, 2015, the Township issued \$2,495,000 in general obligation refunding bonds to advance refund \$2,290,000 of the Series 2006 General Obligation Bonds. The debt issue is comprised of current interest serial bonds (par value \$2,495,000). The interest rate on the serial bonds is 2.40%. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity of the issue is December 1, 2029. The Series 2015 General Obligation Refunding Bonds are being retired from the General Bond Retirement Fund. The net proceeds of the Series 2015 General Obligations Refunding Bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds have an outstanding balance of \$2,270,000 at December 31, 2016.

**General Obligation Bonds – Series 2016** – These bonds were issued in 2016 for the purpose of paying the costs of improving the township’s public safety facilities by constructing, furnishing and equipping a new fire station. The bonds had interest rates ranging from 2.00-4.00%. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity of the issue is December 1, 2035. The Series 2016 General Obligation Bonds are being retired from the Fire District Fund.

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 2016, were as follows:

Year	General Obligation Bonds					
	Series 2015		Series 2016		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$150,000	\$55,388	\$190,000	\$167,700	\$340,000	\$223,088
2018	155,000	51,728	195,000	163,900	350,000	215,628
2019	160,000	47,946	200,000	160,000	360,000	207,946
2020	160,000	44,042	205,000	156,000	365,000	200,042
2021	165,000	40,138	205,000	151,900	370,000	192,038
2022-2026	890,000	137,982	1,130,000	669,000	2,020,000	806,982
2027-2031	590,000	29,158	1,370,000	428,800	1,960,000	457,958
2032-2035	0	0	1,300,000	132,600	1,300,000	132,600
<b>Total</b>	<b>\$2,270,000</b>	<b>\$406,382</b>	<b>\$4,795,000</b>	<b>\$2,029,900</b>	<b>\$7,065,000</b>	<b>\$2,436,282</b>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2016, were an overall debt margin of \$108,768,133 and an unvoted debt margin of \$53,085,245.

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Loans***

The Mingo Estates Infrastructure Improvements Phase II received a thirty-year, zero-interest loan from the Ohio Public Works Commission. The project will be paid through the Road and Bridge Fund (a nonmajor governmental fund). Principal and interest requirements to retire the obligation outstanding at December 31, 2016, were as follows:

<u>OPWC Loans</u>	
<u>Mingo Estates Infrastructure Improvements Phase II</u>	
<u>Year</u>	<u>Principal</u>
2017	\$28,340
2018	28,340
2019	28,340
2020	28,340
2021	28,340
2022-2026	141,698
2027-2031	141,698
2032-2036	141,698
2037-2041	141,698
2042-2046	127,528
Total	<u><u>\$836,017</u></u>

***Leases***

In 2014, the Township began leasing fire engines under noncancelable leases. The Township disbursed \$334,872 to pay lease costs for the year ended December 31, 2016. Future lease payments including principal and interest are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$120,250
2018	\$120,250
2019	\$120,250
2020	\$120,250
2021	\$120,250
2022	10,021
Total	<u><u>\$611,271</u></u>

Included in the total \$334,872 disbursed, the Township paid \$185,216 to terminate a fire engine lease early.

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 11 - Construction and Contractual Commitments**

The Township has an ongoing contract with Robertson Construction Services, Inc. for the construction of Violet Township Fire Station 591.

**Note 12 - Joint Venture**

A Cooperative Economic Development Agreement (CEDA) exists between Violet Township and the City of Canal Winchester that provides a percentage of revenue based on income tax collection for this area. The agreement was established in February 2004, and is in effect until 2040, at which time without prior notice, renews for a period of 25 years.

**Note 13 - Jointly Governed Organizations**

Violet Township joined the newly formed MECC Regional Council of Governments (COG) as a founding member in 2015 to effectively manage shared services and programs that include public safety dispatch operations, technology services and to promote cooperative services and agreements between its members and other governmental agencies.

The Township appoints two members to represent the Township on the 47 member board of the Fairfield County Regional Planning Commission. The Township pays a small membership fee annually based on the per capita of the Township. There is no ongoing financial responsibility by the Township.

**Note 14 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Fire District	Fire Bonds For Station	Other Governmental Funds	Total
<b>Restricted for</b>					
General Government	\$ 410,000				\$ 410,000
Public Safety		\$ 7,543,587			7,543,587
Public Works			\$ 3,459,264	\$ 1,670,081	5,129,345
Debt Service				1,000,846	1,000,846
<i>Total Restricted</i>	<u>410,000</u>	<u>7,543,587</u>	<u>3,459,264</u>	<u>2,670,927</u>	<u>14,083,778</u>
<b>Unassigned (Deficit)</b>	<u>2,554,879</u>				<u>2,554,879</u>
<i>Total Fund Balances</i>	<u>\$2,964,879</u>	<u>\$7,543,587</u>	<u>\$3,459,264</u>	<u>\$2,670,927</u>	<u>\$16,638,657</u>

**Violet Township**  
*Fairfield County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 15 - Change in Basis of Accounting and Restatement of Net Position/Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The transition from the regulatory basis of accounting to the cash basis of accounting had the following effect on cash fund balances at December 31, 2015:

	Special Revenue Fund Type	Debt Service Fund Type	Capital Projects Fund Type	Fire District Fund	Other Governmental Funds	Total
Fund Cash Balance at December 31, 2015	\$ 7,544,917	\$ 880,917	\$ 914,333	\$ -	\$ -	\$ 9,340,167
Change in Reporting Basis Adjustments	<u>(7,544,917)</u>	<u>(880,917)</u>	<u>(914,333)</u>	<u>6,064,468</u>	<u>3,275,699</u>	<u>0</u>
Restated Fund Cash balance at December 31, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,064,468</u>	<u>\$ 3,275,699</u>	<u>\$ 9,340,167</u>

The governmental activities net cash position at December 31, 2015 equal the total governmental funds cash balances stated in the previous audit at December 31, 2015 since there are no adjustments required to convert the fund financial statements to government-wide financial statements.

**Note 16 – Compliance**

The Township had noncompliance with Ohio Revised Code 5705.14 due to transferring funds from a nonmajor capital improvement fund to the general fund.

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Violet Township  
Fairfield County  
12970 Rustic Drive  
Pickerington, Ohio 43147

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Violet Township, Fairfield County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Violet Township's basic financial statements and have issued our report thereon dated September 4, 2018, wherein we noted Violet Township uses a special purpose framework other than generally accepted accounting principles and wherein we noted, as discussed in Note 15, a change in accounting basis had occurred.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Violet 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 Violet 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 Violet 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether Violet 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2016-002.

***Violet Township's Response to Findings***

Violet Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject Violet Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***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 Violet Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Violet Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
September 4, 2018



**VIOLET TOWNSHIP  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2016-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Board with objective and timely information to enable well-informed decisions.

The following adjustments were made to the financial statements and notes to the financial statements to properly state and disclose financial statement presentations:

1. Certain funds, however budgeted separately, were not properly grouped together based on GASB 54.
2. Format and content of note disclosures were updated to comply with the Township’s reporting basis.
3. Capital lease payments were adjusted to accurately present the financial statement amounts and note disclosure amounts.

The audited financial statements and Township records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system requires additional oversight to ensure financial statement presentation requirements are met.

We recommend the Township make use of Auditor of State provided resources when compiling their year-end financial statements and related note disclosures.

*Client Response:* The Fiscal Officer will work to ensure financial statement presentations are accurate and follow the prescribed basis of presentation. The Fiscal Officer will make use of State provided financial reporting resource.

Finding Number	2016-002
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Material Weakness – Financial Presentation/Noncompliance:

Ohio Revised Code Section 5705.14 provides that no transfer shall be made from one fund of a subdivision to any other fund except as provided by law.

The Township transferred \$216,945 from Stonecreek Drive Improvements, a nonmajor capital improvement fund, to the General Fund.

This transfer to the General Fund requires approval of the Court of Common Pleas of Fairfield County, or a transfer could be made to the related sinking fund to pay remaining loan balance outstanding. Failure to meet the requirements of 5705.14 could result in unallowable use of funds or a finding for recovery.

The audited financial statements and fund balances have been adjusted to properly reflect this adjustment.

**VIOLET TOWNSHIP  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2016-002 (Continued)

We recommend the Township consult with the county before proceeding with transfers from special purpose funds.

Client Response: Client did not include a response.

**VIOLET TOWNSHIP  
FAIRFIELD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2015-001	2015	<u>Material Weakness - Financial Statement Presentation:</u> Accurate financial reporting is required in order to provide management and the Council with objective and timely information to enable well-informed decisions. Adjustments were made to correct misstatements identified during the audit of the Village's financial statements.	No	Repeated as finding 2016-001
2015-002	2015	<u>Material Weakness - Bank Reconciliation:</u> The Township's investment bank balances did not reconcile to their accounting system balances. Adjusting entries were required to properly state ending balances and period transactions.	Yes	N/A

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# Dave Yost • Auditor of State

VIOLET TOWNSHIP

FAIRFIELD 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 8, 2018