



**Auditor of State
Betty Montgomery**

VIOLET TOWNSHIP
FAIRFIELD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis – December 31, 2005.....	9
Statement of Activities – Modified Cash Basis – For the Year Ended December 31, 2005	10
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2005	11
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2005	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund – For the Year Ended December 31, 2005.....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire District Fund – For the Year Ended December 31, 2005.....	14
Notes to the Financial Statements	15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29
Schedule of Findings.....	31
Schedule of Prior Audit Findings	33

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Violet Township
Fairfield County
12970 Rustic Drive
Pickerington, Ohio 43147

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Violet Township, Fairfield County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified 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, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General and Fire District funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

November 8, 2006

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of Violet Township (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Government's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$1,597,282, or 29 percent. The funds most affected by the increase were the General Fund, Fire District Fund, Gasoline Tax Fund, Road and Bridge Fund and the Miscellaneous Special Revenue Fund (this fund was established as a reserve account for severance payouts). These increases were offset by a decrease in the Permissive Motor Vehicle Fund. The increase in the General Fund was due to an increase in property tax receipts, intergovernmental receipts and interest receipts. The increase in the Fire District Fund was due to an increase in property tax receipts. The increase in the Gasoline Tax Fund was due to an increase in intergovernmental receipts. The increase in the Road and Bridge Fund was due to an increase in property taxes and intergovernmental receipts. The increase in the Miscellaneous Special Revenue Fund was due to transfers in from other funds. The decrease in the Permissive Motor Vehicle License Tax Fund was due to a decrease in intergovernmental receipts.

The Township's general receipts are primarily property taxes and intergovernmental. These receipts represent respectively \$6,972,589 and 80% percent of the total cash received for governmental activities during the year.

Interest was \$220,856, this was an increase of \$153,965 or 230 percent.

The budget commission allocated .2 mil of inside millage for road and bridge effective 2005 to be collected in 2006 and thereafter.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, all of the Township's activities are governmental. Property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Township's funds are governmental.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Funds - The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds include the General Fund and the Fire District Fund. The programs reported in governmental funds are the same as those reported in governmental activities.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 7,039,053	\$ 5,441,771
Total Assets	<u>\$ 7,039,053</u>	<u>\$ 5,441,771</u>
Net Assets		
Restricted for:		
Capital Projects	\$ 96,696	\$ 110,694
Other Purposes	5,062,532	3,855,000
Unrestricted	<u>1,879,825</u>	<u>1,476,077</u>
Total Net Assets	<u>\$ 7,039,053</u>	<u>\$ 5,441,771</u>

As mentioned previously, net assets of governmental activities increased \$1,597,282 or 29 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Increases in property taxes for the general operating levy, fire district levy and road and bridge level.
- Increases in intergovernmental receipts primarily for estate taxes, gasoline taxes and homestead and rollback
- Increases in interest due to maintaining higher balances in higher earning accounts
- Expenditures stayed consistent from the prior year due to budget constraints

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 202,021
Operating Grants and Contributions	1,225,307
Capital Grants and Contributions	11,624
Total Program Receipts	<u>\$ 1,438,952</u>
General Receipts:	
Property and Other Local Taxes	\$ 6,411,946
Grants and Entitlements Not Restricted to Specific Programs	560,643
Interest	220,856
Miscellaneous	68,443
Total General Receipts	<u>\$ 7,261,888</u>
Total Receipts	<u>\$ 8,700,840</u>
 Disbursements:	
General Government	\$ 913,664
Health	102,802
Public Works	1,104,709
Public Safety	4,634,411
Capital Outlay	302,272
Debt Service:	
Principal Retirement	40,000
Interest and Fiscal Charges	5,700
Total Disbursements	<u>\$ 7,103,558</u>
 Increase (Decrease) in Net Assets	 \$ 1,597,282
 Net Assets, January 1, 2005	 \$ 5,441,771
Net Assets, December 31, 2005	<u><u>\$ 7,039,053</u></u>

Program receipts represent only 17 percent of total receipts and are primarily comprised of zoning permit fees and restricted intergovernmental receipts such as motor vehicle license, gasoline tax, permissive tax money and homestead and rollback money.

General receipts represent 83 percent of the Township's total receipts, and of this amount, over 88 percent are property taxes. State and federal grants and entitlements made up 8 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources, including interest and miscellaneous receipts.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of most of the Trustee and Fiscal Officer as well as the operation of the zoning and building departments.

Public Safety is the cost of fire protection; Public Works is the cost of Road Maintenance; Health is mainly the County Health Department; Capital Outlay are the costs of equipment and other improvements of the Township; and Debt Service are for the repayment of debt.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Safety and Public Works, which account for 65 and 16 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 13 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$ 913,664	\$ (673,975)
Health	102,802	(97,118)
Public Safety	4,634,411	(3,974,759)
Public Works	1,104,709	(570,782)
Capital Outlay	302,272	(302,272)
Debt Service		
Principal Retirement	40,000	(40,000)
Interest and Fiscal Charges	5,700	(5,700)
Total Expenses	\$ 7,103,558	\$ (5,664,606)

The dependence upon property tax receipts is apparent as over 80 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$8,700,840 and disbursements of \$7,103,558. The greatest change within the governmental funds occurred within the General Fund, Fire District Fund, Gasoline Tax Fund, Road and Bridge Fund, Miscellaneous Special Revenue Fund and Permissive Motor Vehicle License Tax Fund. The fund balances increased \$403,749 in the General Fund, \$988,954 in the Fire District Fund, \$5,433 in the Gasoline Tax Fund, \$139,885 in the Road and Bridge Fund and \$92,000 in the Miscellaneous Fund. The fund balance decreased (\$21,413) in the Permissive Motor Vehicle License Tax Fund. The increase in the General Fund was due to an increase in property tax receipts, intergovernmental receipts and interest receipts. The increase in the Fire District Fund was due to an increase in property tax receipts.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The increase in the Gasoline Tax Fund was due to an increase in intergovernmental receipts. The increase in the Road and Bridge Fund was due to an increase in property taxes and intergovernmental receipts. The increase in the Miscellaneous Special Revenue Fund was due to transfers in from other funds. The decrease in the Permissive Motor Vehicle License Tax Fund was due to a decrease in intergovernmental receipts.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected increases in intergovernmental receipts and interest. The difference between final budgeted receipts and actual receipts were \$44,299.

Final disbursements were budgeted at \$1,395,867 while actual disbursements were \$1,071,776. The township kept spending very conservative and within the range of expectation. The result was an increase in fund balance of \$394,137.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently report its capital assets and infrastructure. The Township does perform an annual inventory valuation of assets.

Debt

At December 31, 2005, the Township's outstanding debt included \$80,000 in general obligation notes. For further information regarding the Township's debt, refer to Note 11 of the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jim Van Kannel, Fiscal Officer, Violet Township, 12970 Rustic Drive, Pickerington, Ohio 43147.

VIOLET TOWNSHIP
FAIRFIELD COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 7,039,053.47</u>
<i>Total Assets</i>	<u>7,039,053.47</u>
Net Assets	
Restricted for:	
Capital Projects	96,696.50
Debt Service	
Other Purposes	5,062,531.53
Unrestricted	<u>1,879,825.44</u>
<i>Total Net Assets</i>	<u>\$ 7,039,053.47</u>

See accompanying notes to the basic financial statements

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Fire District Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,879,825.44	\$ 4,536,735.38	\$ 622,492.65	\$ 7,039,053.47
<i>Total Assets</i>	<u>1,879,825.44</u>	<u>4,536,735.38</u>	<u>622,492.65</u>	<u>7,039,053.47</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	9,611.55	488,655.50	4,935.04	503,202.09
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	1,870,213.89	-	-	1,870,213.89
Special Revenue Funds	-	4,048,079.88	520,861.11	4,568,940.99
Capital Projects Funds	-	-	96,696.50	96,696.50
<i>Total Fund Balances</i>	<u>\$ 1,879,825.44</u>	<u>\$ 4,536,735.38</u>	<u>\$ 622,492.65</u>	<u>\$ 7,039,053.47</u>

See accompanying notes to the basic financial statements

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 442,054.05	\$ 5,338,095.68	\$ 631,795.83	\$ 6,411,945.56
Licenses, Permits and Fees	189,175.39	-	10,312.00	199,487.39
Intergovernmental	616,840.17	659,652.36	521,081.34	1,797,573.87
Special Assessments	-	-	2,533.33	2,533.33
Interest	216,273.52	-	4,582.40	220,855.92
Other	51,073.01	6,389.02	10,981.46	68,443.49
<i>Total Receipts</i>	<u>1,515,416.14</u>	<u>6,004,137.06</u>	<u>1,181,286.36</u>	<u>8,700,839.56</u>
Disbursements				
Current:				
General Government	913,662.89	-	0.93	913,663.82
Public Safety	-	4,634,411.57	-	4,634,411.57
Public Works	-	-	1,104,708.84	1,104,708.84
Health	102,801.66	-	-	102,801.66
Capital Outlay	-	288,771.64	13,500.00	302,271.64
Debt Service:				
Principal Retirement	40,000.00	-	-	40,000.00
Interest and Fiscal Charges	5,700.00	-	-	5,700.00
<i>Total Disbursements</i>	<u>1,062,164.55</u>	<u>4,923,183.21</u>	<u>1,118,209.77</u>	<u>7,103,557.53</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>453,251.59</u>	<u>1,080,953.85</u>	<u>63,076.59</u>	<u>1,597,282.03</u>
Other Financing Sources (Uses)				
Transfers In	497.16	-	153,623.96	154,121.12
Transfers Out	(50,000.00)	(92,000.00)	(12,121.12)	(154,121.12)
Advances In	50,000.00	-	50,000.00	100,000.00
Advances Out	(50,000.00)	-	(50,000.00)	(100,000.00)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,502.84)</u>	<u>(92,000.00)</u>	<u>141,502.84</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	403,748.75	988,953.85	204,579.43	1,597,282.03
<i>Fund Balances Beginning of Year</i>	<u>1,476,076.69</u>	<u>3,547,781.53</u>	<u>417,913.22</u>	<u>5,441,771.44</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,879,825.44</u>	<u>\$ 4,536,735.38</u>	<u>\$ 622,492.65</u>	<u>\$ 7,039,053.47</u>

See accompanying notes to the basic financial statements

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 434,000.00	\$ 434,000.00	\$ 442,054.05	\$ 8,054.05
Licenses, Permits and Fees	175,000.00	175,000.00	189,175.39	14,175.39
Intergovernmental	487,017.00	629,017.00	616,840.17	(12,176.83)
Interest	60,000.00	182,000.00	216,273.52	34,273.52
Other	35,100.00	51,100.00	51,073.01	(26.99)
<i>Total receipts</i>	<u>1,191,117.00</u>	<u>1,471,117.00</u>	<u>1,515,416.14</u>	<u>44,299.14</u>
Disbursements				
Current:				
General Government	1,241,110.00	1,246,867.02	923,274.44	323,592.58
Health	103,000.00	103,000.00	102,801.66	198.34
Debt Service:				
Principal Retirement	40,000.00	40,000.00	40,000.00	-
Interest and Fiscal Charges	6,000.00	6,000.00	5,700.00	300.00
<i>Total Disbursements</i>	<u>1,390,110.00</u>	<u>1,395,867.02</u>	<u>1,071,776.10</u>	<u>324,090.92</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(198,993.00)</u>	<u>75,249.98</u>	<u>443,640.04</u>	<u>368,390.06</u>
Other Financing Sources (Uses)				
Transfers In	-	497.16	497.16	-
Transfers Out	(50,000.00)	(50,000.00)	(50,000.00)	-
Advances In	-	-	50,000.00	50,000.00
Advances Out	(50,000.00)	(50,000.00)	(50,000.00)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000.00)</u>	<u>(99,502.84)</u>	<u>(49,502.84)</u>	<u>50,000.00</u>
<i>Net Change in Fund Balance</i>	<u>(298,993.00)</u>	<u>(24,252.86)</u>	<u>394,137.20</u>	<u>418,390.06</u>
<i>Fund Balance Beginning of Year</i>	1,470,319.67	1,470,319.67	1,470,319.67	-
Prior Year Encumbrances Appropriated	5,757.02	5,757.02	5,757.02	-
<i>Fund Balance End of Year</i>	<u>\$ 1,177,083.69</u>	<u>\$ 1,451,823.83</u>	<u>\$ 1,870,213.89</u>	<u>\$ 418,390.06</u>

See accompanying notes to the basic financial statements

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 5,250,000.00	\$ 5,250,000.00	\$ 5,338,095.68	\$ 88,095.68
Intergovernmental	669,000.00	669,000.00	659,652.36	(9,347.64)
Other	1,000.00	1,000.00	6,389.02	5,389.02
<i>Total receipts</i>	<u>5,920,000.00</u>	<u>5,920,000.00</u>	<u>6,004,137.06</u>	<u>84,137.06</u>
Disbursements				
Current:				
Public Safety	4,712,800.00	5,052,642.73	4,724,009.07	328,633.66
Capital Outlay	1,250,000.00	1,232,162.70	687,829.64	544,333.06
<i>Total Disbursements</i>	<u>5,962,800.00</u>	<u>6,284,805.43</u>	<u>5,411,838.71</u>	<u>872,966.72</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(42,800.00)</u>	<u>(364,805.43)</u>	<u>592,298.35</u>	<u>957,103.78</u>
Other Financing Sources (Uses)				
Transfers Out	(92,000.00)	(92,000.00)	(92,000.00)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(92,000.00)</u>	<u>(92,000.00)</u>	<u>(92,000.00)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(134,800.00)	(456,805.43)	500,298.35	957,103.78
<i>Fund Balance Beginning of Year</i>	3,463,686.70	3,463,686.70	3,463,686.70	-
Prior Year Encumbrances Appropriated	84,094.83	84,094.83	84,094.83	-
<i>Fund Balance End of Year</i>	<u>\$ 3,412,981.53</u>	<u>\$ 3,090,976.10</u>	<u>\$ 4,048,079.88</u>	<u>\$ 957,103.78</u>

See accompanying notes to the basic financial statements

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Note 1 – Reporting Entity

Violet Township, Fairfield County, Ohio (the Township), is a body politic and corporate established in 1808 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, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township did not report any component units on its financial statements.

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 Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets 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 assets 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 assets presents the cash balance 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 is 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 modified 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.

B. 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. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds include the General Fund and the Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Fire District Fund receives property tax money and various other grant monies to provide fire protection and medical emergency services to the Township.

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

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, 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 modified 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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All 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 ordinance, 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 ordinance 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 Personnel Cost and Other Costs for the General, Road and Bridge and Fire District funds. For all other funds, the legal level of control has been established at the fund level.

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 certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance 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 ordinance 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.

E. 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".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase 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.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

During 2005, the Township invested in STAR Ohio and a repurchase agreement investment sweep account.

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

The Township's financial institution transfer securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

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 2005 was \$216,274 which includes \$157,633 assigned from other Township funds.

F. 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 modified cash basis of accounting.

G. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-Term Obligations

The Township's modified 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 are reported at inception. Lease payments are reported when paid.

I. Net Assets

Net assets are 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 assets restricted for other purposes include resources restricted for fire protection, road maintenance and cemetery 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 assets are available.

The government-wide statement of net assets reports \$5,147,499 of restricted net assets, of which \$380,592 is restricted by enabling legislation.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

J. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

K. Interfund Transactions

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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

For the year ended December 31, 2005, the Township has implemented the modified 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. This implementation did not have any impact on the fund balances of the Township.

Note 4 – Compliance

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The Township did not certify the availability of funds prior to the purchase commitment for a majority of expenditures during 2005.

Ohio Revised Code Section 9.38 requires public money to be deposited with the treasurer of the fiscal office or to a designated depository on the business day following the day of receipt. This section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public office must then deposit the money on the day the next business day. Formal policies have not been adopted by the Board. The Township did not always deposit receipts in a timely manner during 2005.

Note 5 – 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 fire district fund is 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 modified cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$9,611 for the General Fund and \$488,656 for the Fire District Fund.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 6 – 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.

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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
7. The State Treasurer's investment pool (STAR Ohio).

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.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 6 - Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Township's bank balance of \$1,456 was not exposed to custodial credit risk because those deposits were covered Federal Deposit Insurance Corporation.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2004, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Repurchase Agreement	\$ 198,000	Average
STAR Ohio	7,014,836	Average
Total Portfolio	<u>\$7,212,836</u>	

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes (the Township does not have an investment policy). 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.

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 is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The Township places no limit on the amount it may invest in any one issuer. At December 31, 2004, the Township had 97% of its investments with STAR Ohio.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$12.15 per \$1,000 of assessed value in the corporation and \$13.85 per \$1,000 of assessed value outside of the corporation. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$728,970,670
Agriculture	19,670,500
Commercial/Industrial/Mineral	100,564,290
Public Utility Property	
Real	42,640
Personal	14,503,020
Tangible Personal Property	14,582,224
Total Assessed Value	<u><u>\$878,333,334</u></u>

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 8 – Risk Management

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 8 – Risk Management (continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005.

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$30,485,638
Liabilities	(12,344,576)
Retained earnings	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2005</u>
Assets	\$9,177,796
Liabilities	(1,406,031)
Retained earnings	<u>\$7,771,765</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$61,995.

Note 9 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 9 – Defined Benefit Pension Plan (continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$104,432, \$98,270, and \$73,644 respectively; 91 percent has been contributed for 2005 and 100 percent for 2004 and 2003.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to OP&F for firefighters were \$590,722 for the year ended December 31, 2005, \$538,788 for the year ended December 31, 2004 and \$467,423 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 90 percent has been contributed for 2005.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 10 - Postemployment Benefits (continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Township contributions for 2005 which were used to fund postemployment benefits were \$24,687. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2005 that were used to fund postemployment health care benefits were \$113,816 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 11 – Debt

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
General Obligation Notes						
1998 Issue (\$360,000)	4.75%	\$120,000	\$0	\$40,000	\$80,000	\$40,000

The general obligation notes 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.

The following is a summary of the Township's future annual debt service requirements:

Year	G.O. Notes	
	Principal	Interest
2006	\$40,000	\$3,800
2007	40,000	1,900
Totals	\$80,000	\$5,700

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, 2005, were an overall debt margin of \$92,225,000 and an unvoted debt margin of \$48,308,333.

Note 12 – Interfund Transfers

During 2005 the following transfers were made:

Transferred from:	General Fund	Transferred to: Other Governmental Funds	Total
General Fund		\$50,000	\$50,000
Fire District Fund		\$92,000	\$92,000
Other Governmental Funds	\$497	\$11,624	\$12,121
Total	\$497	\$153,624	\$154,121

The transfer from the General Fund to Other Governmental Funds was for Road & Bridge projects to be paid for out of the Road & Bridge Fund. The transfer from the Fire District Fund to Other Governmental Funds represents funds set aside in a reserve fund. The transfers from the Other Governmental Funds to the General Fund and within the Other Governmental Funds was to close a Capital Projects Fund.

VIOLET TOWNSHIP
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

Note 13 – Jointly Governed Organization

The Township participates in the Fairfield County Regional Planning Commission, a statutorily created political subdivision of the State. Fairfield County, its municipalities, and its townships jointly govern the Commission. All of the County Commissioners are members of the 48-member board, and the County appoints seven of the members of the board. Each member's control over the operation of the Commission is limited to its representation of the board. The Commission makes studies, maps, plans, recommendations, and reports concerning physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During 2005, the Township contributed \$3,379 to the Commission. Continued existence of the Commission is not dependent on the Township's continued participation, no equity interest exists, and no debt is outstanding.

Note 14 – Subsequent Event

On March 10, 2006, the Township issued \$2,625,000 in bonds for purpose of constructing a Township Service Center.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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 the financial statements of Violet Township (the Township) as of and for the year ended December 31, 2005, and have issued our report thereon dated November 8, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated November 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002. In a separate letter to the Township's management dated November 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Violet Township
Fairfield County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 8, 2006

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Township.

2. Blanket certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to the purchase commitment for seventy-two percent of expenditures tested during 2005. For these items, the Township also did not prepare blanket certificates, super blanket certificates or then and now certificates in accordance with the Ohio Revised Code.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Fiscal Officer. When prior certification is not possible, "then and now" certification should be used.

VIOLET TOWNSHIP
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2005-001 (Continued)

Officials' Response: *When I became Clerk in 2004, I was instructed and followed the procedures of the previous Clerk. That system, which included the use of blanket certificates, then and nows, and regular purchase orders, remained in effect throughout Fiscal Year 2005. However, invoices relating to continual contracts or agreements, such as utilities, were issued on regular purchase orders as in the past rather than on blankets. Once we were notified during 2006, procedures were changed.*

FINDING NUMBER 2005-002

Ohio Rev. Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

This section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day. Formal policies have not been adopted by the Board.

Forty-three percent of receipts tested during 2005 were not deposited in a timely manner. The receipts not deposited timely consisted of building and zoning permit fees.

We recommend the Township develop a written policy for depositing funds. The policy should include procedures to safeguard the assets during the intervening period and for the Fiscal Officer to ensure the policy is followed.

Officials' Response: *A formal policy will be adopted by the Board in the future to extend the deposit time past the next day business limitation. All receipts are safeguarded and the Fiscal Officer will ensure the policy is followed.*

**VIOLET TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Encumbering of Funds	No	Not Corrected; Repeated in Finding Number 2005-001
2004-002	Timely Deposits of Funds	No	Not Corrected; Repeated in Finding Number 2005-002



**Auditor of State
Betty Montgomery**

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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
JANUARY 4, 2007**