

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

BRIAN SAUER, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Violet Township
12970 Rustic Drive
Pickerington, Ohio 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, 2014 through December 31, 2015. 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

July 14, 2016

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**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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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 financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of Violet Township, Fairfield County, Ohio, as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to 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 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 opinion.

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

As described in Note 2 of the financial statements, Violet Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Violet Township, Fairfield County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As described further in Note 13 to the financial statements, during 2014 and 2015, the Township changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, 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.
June 13, 2016

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property and local taxes	\$ 533,594	\$ 10,959,033	\$ -	\$ -	\$ 11,492,627
Licenses, permits and fees	432,185	4,550	-	-	436,735
Intergovernmental	520,276	1,485,625	-	424,372	2,430,273
Special assessments	372	5,724	-	-	6,096
Charges for services	-	978,272	-	-	978,272
Earnings on investments	73,494	874	-	-	74,368
Miscellaneous	4,071	20,840	-	-	24,911
Total cash receipts	<u>1,563,992</u>	<u>13,454,918</u>	<u>-</u>	<u>424,372</u>	<u>15,443,282</u>
Cash disbursements:					
Current:					
Public safety	65,000	9,201,021	-	-	9,266,021
Health	118,934	-	-	-	118,934
Conservation-recreation	30,000	-	-	-	30,000
Public works	-	1,073,898	-	-	1,073,898
General government	1,045,302	207,575	-	-	1,252,877
Capital outlay	60	966,221	-	770,861	1,737,142
Debt service:					
Principal retirement	-	172,762	150,000	-	322,762
Interest and fiscal charges	-	26,233	45,615	-	71,848
Total cash disbursements	<u>1,259,296</u>	<u>11,647,710</u>	<u>195,615</u>	<u>770,861</u>	<u>13,873,482</u>
Total cash receipts over (under) cash disbursements	<u>304,696</u>	<u>1,807,208</u>	<u>(195,615)</u>	<u>(346,489)</u>	<u>1,569,800</u>
Other financing receipts (disbursements):					
Refunding bonds issued	-	-	2,495,000	-	2,495,000
Payment to bond escrow	-	-	(2,427,083)	-	(2,427,083)
Bond issuance costs	-	-	(60,595)	-	(60,595)
Sale of assets	-	2,402	-	-	2,402
Advances in	172,145	-	-	929,691	1,101,836
Advances out	(929,691)	-	-	(172,145)	(1,101,836)
Transfers in	-	1,453,799	-	496,945	1,950,744
Transfers out	(1,950,744)	-	-	-	(1,950,744)
Total other financing receipts (disbursements)	<u>(2,708,290)</u>	<u>1,456,201</u>	<u>7,322</u>	<u>1,254,491</u>	<u>9,724</u>
Net change in fund cash balances	(2,403,594)	3,263,409	(188,293)	908,002	1,579,524
Fund cash balances, January 1, 2015	<u>4,520,930</u>	<u>4,281,508</u>	<u>1,069,210</u>	<u>6,331</u>	<u>9,877,979</u>
Fund cash balances, December 31, 2015					
Restricted	75,960	6,214,643	880,917	914,333	8,085,853
Committed	188,070	1,330,274	-	-	1,518,344
Assigned	536	-	-	-	536
Unassigned	1,852,770	-	-	-	1,852,770
Fund cash balances, December 31, 2015	<u>\$ 2,117,336</u>	<u>\$ 7,544,917</u>	<u>\$ 880,917</u>	<u>\$ 914,333</u>	<u>\$ 11,457,503</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property and local taxes	\$ 521,450	\$ 7,081,117	\$ -	\$ -	\$ 7,602,567
Licenses, permits and fees	430,113	2,200	-	-	432,313
Intergovernmental	483,185	1,374,695	-	975	1,858,855
Special assessments	9,147	5,716	-	-	14,863
Charges for services	-	944,481	-	-	944,481
Earnings on investments	43,674	523	-	-	44,197
Miscellaneous	19,013	18,926	-	-	37,939
Total cash receipts	<u>1,506,582</u>	<u>9,427,658</u>	<u>-</u>	<u>975</u>	<u>10,935,215</u>
Cash disbursements:					
Current:					
Public safety	161,346	8,140,934	-	-	8,302,280
Health	124,937	-	-	-	124,937
Conservation-recreation	27,525	-	-	-	27,525
Public works	-	1,237,101	-	-	1,237,101
General government	1,161,690	188,589	-	-	1,350,279
Capital outlay	5,907	297,862	-	-	303,769
Debt service:					
Principal retirement	-	46,975	75,000	-	121,975
Interest and fiscal charges	-	4,805	103,410	-	108,215
Total cash disbursements	<u>1,481,405</u>	<u>9,916,266</u>	<u>178,410</u>	<u>-</u>	<u>11,576,081</u>
Total cash receipts over (under) cash disbursements	<u>25,177</u>	<u>(488,608)</u>	<u>(178,410)</u>	<u>975</u>	<u>(640,866)</u>
Other financing receipts (disbursements):					
Sale of assets	-	6,754	-	-	6,754
Transfers in	-	-	179,660	-	179,660
Transfers out	(179,660)	-	-	-	(179,660)
Total other financing receipts (disbursements)	<u>(179,660)</u>	<u>6,754</u>	<u>179,660</u>	<u>-</u>	<u>6,754</u>
Net change in fund cash balances	(154,483)	(481,854)	1,250	975	(634,112)
Fund cash balances, January 1, 2014 (restated)	<u>4,675,413</u>	<u>4,763,362</u>	<u>1,067,960</u>	<u>5,356</u>	<u>10,512,091</u>
Fund cash balances, December 31, 2014					
Restricted	575,905	4,281,508	1,069,210	6,331	5,932,954
Committed	1,641,870	-	-	-	1,641,870
Assigned	19,755	-	-	-	19,755
Unassigned	2,283,400	-	-	-	2,283,400
Fund cash balances, December 31, 2014	<u>\$ 4,520,930</u>	<u>\$ 4,281,508</u>	<u>\$ 1,069,210</u>	<u>\$ 6,331</u>	<u>\$ 9,877,979</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Violet Township, Fairfield County, (Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Fairfield County Sheriff's Office to provide police protection.

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 11 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 9 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

The most significant of the Township's accounting policies are described below.

A. FUND ACCOUNTING

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

Special Revenue Funds

These funds account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue funds:

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

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Road and Bridge Fund - This fund receives property tax receipts to pay for constructing, maintaining, and repairing of Township roads.

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project fund:

Mingo Estates Phase 2 Fund - This fund receives Ohio Public Works Commission (OPWC) grants to repair infrastructure in Mingo Estates.

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service fund:

General Bond Retirement Fund - This fund receives transfers from other funds to pay the bonds issued for the construction of the Township Service Center.

B. ACCOUNTING BASIS

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

D. FUND BALANCE

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

1. Nonspendable

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

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in 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.

E. DEPOSITS AND INVESTMENTS

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

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Township values negotiable certificates of deposits, federal securities and municipal bonds at cost. Money market mutual funds (including STAR Ohio) are recorded at share value the mutual funds report.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

NOTE 3 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$ 3,565,057	\$ 1,059,432
Negotiable Certificate of Deposits	4,650,513	3,661,000
Municipal Bonds	2,134,071	1,212,149
U.S. Treasury Agency Securities	-	1,472,500
U.S. Government Money Market Mutual Fund	1,058,137	1,423,280
STAR Ohio	<u>49,725</u>	<u>1,049,618</u>
Total Deposits and Investments	<u>\$ 11,457,503</u>	<u>\$ 9,877,979</u>

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

Investments: During 2015 and 2014, the Township invested in negotiable certificates of deposits, STAR Ohio, federal securities, municipal bonds and a U.S. Government money market mutual fund. The certificates of deposits, federal securities, U.S. Government money market mutual fund and municipal bonds are reported at cost. 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, 2015 and 2014.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - BUDGETARY ACTIVITY

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

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,194,970	\$ 1,506,582	\$ 311,612
Special Revenue	9,089,365	9,434,412	345,047
Debt Service	179,660	179,660	-
Capital Projects	-	975	975
Total	<u>\$ 10,463,995</u>	<u>\$ 11,121,629</u>	<u>\$ 657,634</u>

2014 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,293,378	\$ 1,680,820	\$ 612,558
Special Revenue	11,544,170	9,957,976	1,586,194
Debt Service	178,410	178,410	-
Capital Projects	-	-	-
Total	<u>\$ 14,015,958</u>	<u>\$ 11,817,206</u>	<u>\$ 2,198,752</u>

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,470,742	\$ 1,736,137	\$ 265,395
Special Revenue	14,463,093	14,911,119	448,026
Debt Service	2,495,000	2,495,000	-
Capital Projects	3,971,909	1,851,008	(2,120,901)
Total	<u>\$ 22,400,744</u>	<u>\$ 20,993,264</u>	<u>\$ (1,407,480)</u>

2015 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,555,297	\$ 4,140,267	\$ (584,970)
Special Revenue	13,521,059	11,819,424	1,701,635
Debt Service	2,695,468	2,683,293	12,175
Capital Projects	3,977,909	2,393,006	1,584,903
Total	<u>\$ 23,749,733</u>	<u>\$ 21,035,990</u>	<u>\$ 2,713,743</u>

The negative variance in the General fund of \$584,970 is the result of the above schedule reporting an advance out of the General fund in the amount of \$929,691 in the Budgetary Expenditures column for 2015, which is not required to be budgeted and thus does not result in a noncompliance citation.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 - PROPERTY TAX

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

NOTE 6 - DEBT

At December 31, 2015 and 2014, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/2015</u>	<u>Balance at 12/31/2014</u>
General Obligation Bonds - Series 2006	\$ -	\$ 2,365,000
General Obligation Bonds - Series 2015	2,420,000	-
Total	<u>\$ 2,420,000</u>	<u>\$ 2,365,000</u>

Transactions for the years ended December 31, 2015 and 2014 are summarized as follows:

<u>2015</u>	<u>Balance at 12/31/2014</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2015</u>
<u>Description</u>				
General Obligation Bonds - Series 2006	\$ 2,365,000	\$ -	\$ (2,365,000)	\$ -
General Obligation Bonds - Series 2015	-	2,495,000	(75,000)	2,420,000
Total	<u>\$ 2,365,000</u>	<u>\$ 2,495,000</u>	<u>\$ (2,440,000)</u>	<u>\$ 2,420,000</u>

<u>2014</u>	<u>Balance at 12/31/2013</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2014</u>
<u>Description</u>				
General Obligation Bonds - Series 2006	2,440,000	-	(75,000)	2,365,000
Total	<u>\$ 2,440,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 2,365,000</u>

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 - DEBT - (Continued)

General Obligation Bonds – Series 2006 – These bonds were issued in 2006 for the purpose of paying the costs of refunding bonds previously issued by the Township for the purpose of constructing a Township service center. The bonds had interest rates ranging from 4.00-5.00%. The bonds were previously paid from the General Bond Retirement Fund. These bonds were refunded with the Series 2015 General Obligation Bonds in 2015.

General Obligation 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 Bonds are being retired from the General Bond Retirement Fund. The net proceeds of the Series 2015 General Obligations 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 \$2,290,000 at December 31, 2015.

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

<u>Year Ending</u> <u>December 31,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 150,000	\$ 59,048
2017	150,000	55,388
2018	155,000	51,728
2019	160,000	47,946
2020	160,000	44,042
2021-2025	870,000	159,210
2026-2029	775,000	48,068
Total	<u>\$ 2,420,000</u>	<u>\$ 465,430</u>

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

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

NOTE 7 - LEASES

In 2014, the Township began leasing fire engines under non-cancelable leases. The Township records principal and interest payments in the Fire District Fund. The Township disbursed \$51,780 (\$46,975 in principal) to pay lease costs for the year ended December 31, 2014 and disbursed \$198,995 (\$172,762 in principal) to pay lease costs for the year ended December 31, 2015. Future lease payments are as follows:

Year Ending December 31,	Amount
2016	\$ 209,016
2017	209,016
2018	157,236
2019	120,250
2020	120,250
2021-2022	130,271
Total Future Minimum Lease Payments	946,039
Less: Amount Representing Interest	(71,873)
Present Value of Future Minimum Lease Payments	\$ 874,166

NOTE 8 - RETIREMENT SYSTEM

The Township's firefighters and EMS personnel belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2014, through June 30, 2014, OP&F participants contributed 10.75% of their annual covered salary. From July 1, 2014, through June 30, 2015, OP&F participants contributed 11.50% of their annual covered salary. From July 1, 2015 through December 31, 2015 OP&F participants contributed 12.25% of their annual salaries. For 2015 and 2014, the Township contributed to OP&F an amount equal to 24% of full-time members' wages. For 2015 and 2014, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of covered payroll. The Township has paid all contributions required through December 31, 2015.

NOTE 9 - 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.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 - RISK MANAGEMENT - (Continued)

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, 2015, 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, 2015 and 2014:

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

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$32,000.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

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

NOTE 9 - RISK MANAGEMENT - (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$59,632	\$55,885

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 10 - CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

At December 31, 2015, the Township was not involved in any lawsuits that would have a material adverse effect on the Township's financial position.

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

Fairfield County Regional Planning Commission

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.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

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

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)

MECC Regional Council of Governments

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.

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 2015, at which time without prior notice, renews for a period of 25 years.

NOTE 13 - PRIOR PERIOD RESTATEMENT

The Township changed its accounting basis from GASB No. 34 - cash basis to the cash (regulatory) basis of accounting. It had the following effect on fund balances at January 1, 2014:

	General	Road and Bridge	Fire District	Fire and Rescue Ambulance EMS Service	Other Governmental Funds	Special Revenue	Debt Service	Capital Projects	Total Funds
December 31, 2013	\$ 4,675,413	\$ 449,012	\$ 3,345,178	\$ 425,440	\$ 1,617,048	\$ -	\$ -	\$ -	\$ 10,512,091
Reclass	-	(449,012)	(3,345,178)	(425,440)	(1,617,048)	4,763,362	1,067,960	5,356	-
January 1, 2014	<u>\$ 4,675,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,763,362</u>	<u>\$ 1,067,960</u>	<u>\$ 5,356</u>	<u>\$ 10,512,091</u>

NOTE 14 - SUBSEQUENT EVENTS

In March of 2016, a 1.5 mill, five year road and bridge levy was passed by voters in the unincorporated areas of the Township.

On December 2, 2015, the Township issued \$5,250,000 in new bonds for the constructing, furnishing, and equipping of a new fire station; however, the proceeds have not been disbursed as of December 31, 2015. The schedule of outstanding debt in Note 6 does not include this issuance.



Julian & Grube, Inc.

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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 financial statements of the cash balances, receipts, and disbursements by fund type of Violet Township, Fairfield County, Ohio, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 13, 2016, wherein we noted, as disclosed in Note 13 to the financial statements, Violet Township changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting and followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered 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 opinion 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 2015-001 and 2015-002 to be material weaknesses.

Board of Trustees
Violet Township

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Violet Townships 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 audit Violet Township's responses 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 communication is not suitable for any other purpose.



Julian & Grube, Inc.
June 13, 2016

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Material Weakness - Financial Statement Presentation

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

Numerous adjustments were made to the financial statements for the years ended December 31, 2015 and 2014, to properly state financial statement 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 lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Township consult with their auditors, the Township Handbook, the Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Township and has implemented additional policies and procedures to help with financial statement presentation.

Finding Number	2015-002
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Material Weakness - Bank Reconciliations

The Township's bank balances should be reconciled on a monthly basis, shortly after month end. Further, the bank reconciliations along with supporting documentation should be submitted to the Board of Trustees for review and approval at the meeting date following month end.

In 2015 and 2014, the Township did not reconcile their investment balances from the bank to the Uniform Accounting Network (UAN) records of the Township. The financial statements and UAN balances were adjusted to agree to the December 31, 2015 balances.

Not providing the Board of Trustees with timely and accurate monthly reconciliations results in the Board of Trustees relying on misrepresented financial information in which they base their decisions.

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-002 - (Continued)

We recommend the Township Fiscal Officer timely reconcile its investment balances and provide the reconciliation and supporting documentation to the Board of Trustees. A Board of Trustees representative should review the bank reconciliations for any unusual items and document their approval by initialing the reconciliation.

Client's Response: Investment balances were maintained at the original values. The interest earned was not being recorded. In the future, bank reconciliations and investment balances will agree to bank balances and interest earned will be timely posted to the accounting system.

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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
JULY 26, 2016