

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Violet Township, Fairfield County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 17, 2018

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**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Violet Township, Fairfield County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Violet Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Violet Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of Violet Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Violet Township, Fairfield County, Ohio, as of December 31, 2017, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Fire District Fund and Road and Bridge funds. thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of Violet Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Violet Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
September 4, 2018

Violet Township
Fairfield County, Ohio
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$14,445,279
<i>Total Assets</i>	<i>\$14,445,279</i>
 Net Position	
Restricted for:	
Capital Projects	\$2,921,582
Debt Service	1,091,917
Other Purposes	8,012,404
Unrestricted	2,419,376
<i>Total Net Position</i>	<i>\$14,445,279</i>

See accompanying notes to the basic financial statements

Violet Township
Fairfield County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
General Government	\$1,222,464	\$0	\$0	\$0	(\$1,222,464)
Public Safety	9,934,364	1,062,218	0	0	(8,872,146)
Public Works	1,868,352	0	1,466,599	131,887	(269,866)
Health	119,825	0	0	0	(119,825)
Conservation-Recreation	5,555	0	0	0	(5,555)
Capital Outlay	5,236,558	0	0	0	(5,236,558)
Debt Service:					
Principal Retirement	562,415	0	0	0	(562,415)
Interest and Fiscal Charges	258,035	0	0	0	(258,035)
<i>Total Governmental Activities</i>	<u>19,207,568</u>	<u>1,062,218</u>	<u>1,466,599</u>	<u>131,887</u>	<u>(16,546,864)</u>
General Receipts:					
Property Taxes Levied for:					
					597,444
					10,374,929
					1,840,085
					623,852
					261,662
					461,622
					103,112
					90,779
Total General Receipts, Contributions to Permanent Fund, Special Item, Extraordinary Item, Transfers and Advances					<u>14,353,485</u>
<i>Change in Net Position</i>					(2,193,379)
<i>Net Position Beginning of Year</i>					<u>16,638,658</u>
<i>Net Position End of Year</i>					<u>\$14,445,279</u>

See accompanying notes to the basic financial statements

Violet Township
 Fairfield County, Ohio
 Statement of Assets and Fund Balances - Cash Basis
 Governmental Funds
 December 31, 2017

	General	Fire District	Road and Bridge Fund	Fire Bonds for Station	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$3,184,255	\$8,370,668	\$1,029,559	\$0	\$995,459	\$865,338	\$14,445,279
<i>Total Assets</i>	<u>\$3,184,255</u>	<u>\$8,370,668</u>	<u>\$1,029,559</u>	<u>\$0</u>	<u>\$995,459</u>	<u>\$865,338</u>	<u>\$14,445,279</u>
Fund Balances							
Nonspendable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Restricted	764,879	8,370,668	1,029,559	0	995,459	865,338	12,025,903
Committed	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	0
Unassigned (Deficit)	2,419,376	0	0	0	0	0	2,419,376
<i>Total Fund Balances</i>	<u>\$3,184,255</u>	<u>\$8,370,668</u>	<u>\$1,029,559</u>	<u>\$0</u>	<u>\$995,459</u>	<u>\$865,338</u>	<u>\$14,445,279</u>

See accompanying notes to the basic financial statements

Violet Township
 Fairfield County, Ohio
 Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
 Governmental Funds
 For the Year Ended December 31, 2017

	General	Fire District	Road and Bridge Fund	Fire Bonds for Station	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$597,444	\$10,374,929	\$1,656,467	\$0	\$0	\$183,618	\$12,812,458
Charges for Services	0	841,013	0	0	0	221,205	1,062,218
Licenses, Permits and Fees	455,322	0	6,300	0	0	0	461,622
Intergovernmenta	623,852	910,430	159,538	0	0	528,518	2,222,338
Special Assessments	0	0	0	0	0	5,752	5,752
Earnings on Investments	100,910	0	0	0	0	2,202	103,112
Miscellaneous	198	77,292	5,833	0	0	1,704	85,027
<i>Total Receipts</i>	<u>1,777,726</u>	<u>12,203,664</u>	<u>1,828,138</u>	<u>0</u>	<u>0</u>	<u>942,999</u>	<u>16,752,527</u>
Disbursements							
Current:							
General Government	1,071,385	0	0	0	0	151,079	1,222,464
Public Safety	154,988	9,598,376	0	0	0	181,000	9,934,364
Public Works	0	0	1,507,427	0	0	360,925	1,868,352
Health	119,825	0	0	0	0	0	119,825
Conservation-Recreation	5,555	0	0	0	0	0	5,555
Capital Outlay	6,597	1,195,846	42,626	3,459,264	0	532,225	5,236,558
Debt Service:							
Principal Retirement	0	379,714	32,701	0	150,000	0	562,415
Interest and Fiscal Charges	0	202,647	0	0	55,388	0	258,035
<i>Total Disbursements</i>	<u>1,358,350</u>	<u>11,376,583</u>	<u>1,582,754</u>	<u>3,459,264</u>	<u>205,388</u>	<u>1,225,229</u>	<u>19,207,568</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>419,376</u>	<u>827,081</u>	<u>245,384</u>	<u>(3,459,264)</u>	<u>(205,388)</u>	<u>(282,230)</u>	<u>(2,455,041)</u>
Other Financing Sources (Uses)							
Other Debt Proceeds	0	0	0	0	0	261,662	261,662
Transfers In	0	0	0	0	200,000	72,800	272,800
Transfers Out	(200,000)	0	(72,800)	0	0	0	(272,800)
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>0</u>	<u>(72,800)</u>	<u>0</u>	<u>200,000</u>	<u>334,462</u>	<u>261,662</u>
<i>Net Change in Fund Balances</i>	<u>219,376</u>	<u>827,081</u>	<u>172,584</u>	<u>(3,459,264)</u>	<u>(5,388)</u>	<u>52,232</u>	<u>(2,193,379)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,964,879</u>	<u>7,543,587</u>	<u>856,975</u>	<u>3,459,264</u>	<u>1,000,847</u>	<u>813,106</u>	<u>16,638,658</u>
<i>Fund Balances End of Year</i>	<u>\$3,184,255</u>	<u>\$8,370,668</u>	<u>\$1,029,559</u>	<u>\$0</u>	<u>\$995,459</u>	<u>\$865,338</u>	<u>\$14,445,279</u>

See accompanying notes to the basic financial statement

Violet Township
Fairfield County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$540,000	\$540,000	\$597,444	\$57,444
Licenses, Permits and Fees	438,000	438,000	455,322	17,322
Intergovernmental	578,100	578,100	623,852	45,752
Earnings on Investments	10,000	10,000	100,910	90,910
Miscellaneous	0	0	198	198
<i>Total Receipts</i>	<u>1,566,100</u>	<u>1,566,100</u>	<u>1,777,726</u>	<u>211,626</u>
Disbursements				
Current:				
General Government	1,353,327	1,403,327	1,285,188	118,139
Public Safety	74,356	226,076	189,361	36,715
Health	123,000	123,000	123,000	0
Conservation-Recreation	30,000	30,000	30,000	0
Capital Outlay	7,500	7,500	7,500	0
<i>Total Disbursements</i>	<u>1,588,183</u>	<u>1,789,903</u>	<u>1,635,049</u>	<u>154,854</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,083)</u>	<u>(223,803)</u>	<u>142,677</u>	<u>366,480</u>
Other Financing Sources (Uses)				
Transfers Out	(400,000)	(554,879)	(554,879)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(400,000)</u>	<u>(554,879)</u>	<u>(554,879)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(422,083)	(778,682)	(412,202)	366,480
<i>Unencumbered Fund Balance Beginning of Year</i>	2,538,166	2,538,166	2,538,166	0
Prior Year Encumbrances Appropriated	16,713	16,713	16,713	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$2,132,796</u>	<u>\$1,776,197</u>	<u>\$2,142,677</u>	<u>\$366,480</u>

See accompanying notes to the basic financial statements

Violet Township
Fairfield County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$9,934,000	\$9,934,000	\$10,374,929	\$440,929
Charges for Services	700,000	700,000	841,013	141,013
Intergovernmental	886,000	886,000	910,430	24,430
Miscellaneous	0	0	77,292	77,292
<i>Total Receipts</i>	<u>11,520,000</u>	<u>11,520,000</u>	<u>12,203,664</u>	<u>683,664</u>
Disbursements				
Current:				
Public Safety	10,756,700	10,756,700	10,442,989	313,711
Capital Outlay	1,145,000	1,645,000	1,644,597	403
Debt Service:				
Principal Retirement	420,053	420,053	420,053	0
Interest and Fiscal Charges	202,647	202,647	202,647	0
<i>Total Disbursements</i>	<u>12,524,400</u>	<u>13,024,400</u>	<u>12,710,286</u>	<u>314,114</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,004,400)</u>	<u>(1,504,400)</u>	<u>(506,622)</u>	<u>997,778</u>
Other Financing Sources (Uses)				
Transfers In	1,250,000	1,250,000	1,250,000	0
Transfers Out	(1,250,000)	(1,250,000)	(1,250,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,004,400)</u>	<u>(1,504,400)</u>	<u>(506,622)</u>	<u>997,778</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	7,543,587	7,543,587	7,543,587	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$6,539,187</u>	<u>\$6,039,187</u>	<u>\$7,036,965</u>	<u>\$997,778</u>

See accompanying notes to the basic financial statements

Violet Township
Fairfield County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,536,500	\$1,536,500	\$1,656,467	\$119,967
Licenses, Permits and Fees	2,000	2,000	6,300	4,300
Intergovernmental	135,000	135,000	159,538	24,538
Miscellaneous	0	0	5,833	5,833
<i>Total Receipts</i>	<u>1,673,500</u>	<u>1,673,500</u>	<u>1,828,138</u>	<u>154,638</u>
Disbursements				
Current:				
Public Works	1,547,350	1,607,350	1,591,364	15,986
Capital Outlay	85,000	85,000	47,289	37,711
Debt Service:				
Principal Retirement	35,000	35,000	35,000	0
<i>Total Disbursements</i>	<u>1,667,350</u>	<u>1,727,350</u>	<u>1,673,653</u>	<u>53,697</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,150</u>	<u>(53,850)</u>	<u>154,485</u>	<u>208,335</u>
Other Financing Sources (Uses)				
Transfers Out	(200,000)	(200,000)	(72,800)	127,200
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(72,800)</u>	<u>127,200</u>
<i>Net Change in Fund Balance</i>	<u>(193,850)</u>	<u>(253,850)</u>	<u>81,685</u>	<u>335,535</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	813,710	813,710	813,710	0
Prior Year Encumbrances Appropriated	43,265	43,265	43,265	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$663,125</u>	<u>\$603,125</u>	<u>\$938,660</u>	<u>\$335,535</u>

See accompanying notes to the basic financial statements

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

Violet Township, Fairfield County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

Primary Government

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

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

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

The Township participates in two jointly governed organizations, the Fairfield County Regional Planning Commission and the Metropolitan Emergency Communication Consortium (MECC) Regional Council of Governments. Note 12 to the financial statements provides additional information for these entities.

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

The Township participates in a joint venture with the City of Canal Winchester. Note 11 to the financial statements provides additional information about this venture.

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

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

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

Fund Accounting

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

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

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

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

Road and Bridge Fund This fund receives property tax receipts to pay for Township infrastructure.

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

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

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

Cash and Investments

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

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

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

During 2017, the Township invested in negotiable certificates of deposit, U.S. Treasury Agency Securities, a money market mutual fund, and STAR Ohio. The negotiable certificates of deposit, U.S. Treasury Bills and municipal bonds are reported at cost. The Township's money market mutual fund investment is recorded at the amount reported by Fifth Third Securities on December 31, 2017.

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

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2017 was \$100,910 which includes \$81,613 assigned from other Township funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Township had no restricted assets at December 31, 2017.

Inventory and Prepaid Items

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

Capital Assets

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

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For the Year Ended December 31, 2017

Interfund Receivables/Payables

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

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

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

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

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

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

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

Violet Township
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

Note 3 – Budgetary Basis of Accounting

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

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

Net Change in Fund Balance

	General	Major Fire District	Major Road & Bridge
Cash Basis	\$219,376	\$827,081	\$172,584
Encumbrances	(276,699)	(1,333,703)	(90,899)
Funds budgeted elsewhere	(354,879)	0	0
Budget Basis	(\$412,202)	(\$506,622)	\$81,685

Note 4 – Deposits and Investments

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

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

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

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

Violet Township
Fairfield County, Ohio
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For the Year Ended December 31, 2017

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

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

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

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

Violet Township
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Deposits

At December 31, 2017, the carrying amount of all Township deposits was \$6,378,121. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2017, \$500,000 of the Township’s bank balance of \$6,601,555 was covered by the FDIC and \$6,101,555 was exposed to custodial credit risk as discussed below.

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

Investments

As of December 31, 2017, the Township had the following investments

Investment Type	Measurement Value	Investment Maturities (in Years)				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio: amortized cost	\$ 50,527	\$ 50,527				
Money Markets	\$ 114,751	\$ 114,751				
Negotiable CDs	\$ 3,980,000	\$ 498,000	\$ 998,000	\$ -	\$ 744,000	\$ 1,740,000
U.S. Treasury agency securities	\$ 3,921,880				\$ 301,485	\$ 3,620,395
Total Investments	\$8,067,158	\$663,278	\$998,000	\$0	\$1,045,485	\$5,360,395

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

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

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

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

Concentration of Credit Risk The Township places no limit on the amount it may invest in any one issuer. The following investments represents total investments as of December 31, 2017:

Investment Issuer	Percentage of Investments
STAR Ohio	0.63 %
Money Markets	1.42
Negotiable CDs	49.33
U.S. Treasury agency securities	48.62
Total	100.00 %

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

Violet Township
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The full tax rate for all Township operations for the year ended December 31, 2017, was \$19.35 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	\$1,110,763,470
Public Utility Personal Property	<u>17,512,610</u>
Total	<u><u>\$1,128,276,080</u></u>

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

Note 6 – Interfund Balances and Transfers

Transfers

During 2017, the following transfers were made:

Transfer to	Transfer from	
	General	Road and Bridge
Major Funds:		
General Bond Retirement	\$200,000	\$0
Non-Major Funds:		
Other Governmental Funds	<u>0</u>	<u>72,800</u>
Total all Funds	<u><u>\$200,000</u></u>	<u><u>\$72,800</u></u>

The above mentioned Transfers From/To were used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and move receipts restricted for road and bridge to a nonmajor fund established for the completion of a road and bridge project.

Note 7 – 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 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 or Management), 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.

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017, 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 retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$30,396.

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.

2017 Contributions to OTARMA

\$69,081

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.

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

	State and Local	Public Safety
2017 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	*
2017 Actual Contribution Rates		
Employer:		
Pension	13.0 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	12.0 %

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

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

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

The Township's contractually required contribution was \$208,734 for year 2017.

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

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

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

Violet Township
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For the Year Ended December 31, 2017

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

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

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

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

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

	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates	
Employer	24.00 %
Employee	12.25 %
 2017 Actual Contribution Rates	
Employer:	
Pension	23.50 %
Post-employment Health Care Benefits	0.50
Total Employer	24.00 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Township's contractually required contribution to OPF was \$1,741,842 for 2017.

Social Security

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

Violet Township
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For the Year Ended December 31, 2017

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

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

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

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

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

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

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

Violet Township
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the Township's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$16,056, \$17,136, and \$16,656, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

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

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

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

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

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Township's contribution to OPF for the years ended December 31, 2017, 2016, and 2015 were \$36,288, \$34,616, and \$35,746, respectively. The full amount has been contributed for all three years.

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Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Long-Term Obligations

The Township’s long-term debt activity for the year ended December 31, 2017, was as follows:

	Amount Outstanding 12/31/16	Additions	Deletions	Amount Outstanding 12/31/17	Amounts Due in One Year
Governmental Activities					
General Obligation Refunding Bonds:					
Series 2015	\$ 2,270,000	\$ -	\$ (150,000)	\$ 2,120,000	\$ 155,000
General Obligation Bonds:					
Series 2016	4,795,000	-	(190,000)	4,605,000	195,000
OPWC Loans:					
Mingo Estates Infrastructure Improvements Phase II	836,017		(28,340)	807,677	28,340
Stonecreek Drive Improvements	-	261,662	(4,361)	257,301	8,722
Capital Leases:					
Rescue Engine 592 Lease	566,430	-	(104,741)	461,689	107,916
Rescue Engine 593 Lease	-	785,600	(84,791)	700,809	104,699
Total Governmental Activities	<u>\$ 8,467,447</u>	<u>\$ 1,047,262</u>	<u>\$ (562,233)</u>	<u>\$ 8,952,476</u>	<u>\$ 599,677</u>

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

General Obligation Refunding Bonds – Series 2015 – On March 19, 2015, the Township issued \$2,495,000 in general obligation refunding bonds to advance refund \$2,290,000 of the Series 2006 General Obligation Bonds. The debt issue is comprised of current interest serial bonds (par value \$2,495,000). The interest rate on the serial bonds is 2.40%. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity of the issue is December 1, 2029. The Series 2015 General Obligation Refunding Bonds are being retired from the General Bond Retirement Fund. The net proceeds of the Series 2015 General Obligations Refunding Bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds have an outstanding balance of \$2,120,000 at December 31, 2017.

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

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 2017, were as follows:

Year	General Obligation Bonds					
	Series 2015		Series 2016		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 155,000	\$ 51,728	\$ 195,000	\$ 163,900	\$350,000	\$215,628
2019	160,000	47,946	200,000	160,000	360,000	207,946
2020	160,000	44,042	205,000	156,000	365,000	200,042
2021	165,000	40,138	205,000	151,900	370,000	192,038
2022	170,000	36,112	210,000	147,800	380,000	183,912
2023-2027	910,000	116,266	1,170,000	628,000	2,080,000	744,266
2028-2032	400,000	14,762	1,425,000	374,000	1,825,000	388,762
2033-2035	0	0	995,000	80,600	995,000	80,600
Total	<u>\$2,120,000</u>	<u>\$350,994</u>	<u>\$4,605,000</u>	<u>\$1,862,200</u>	<u>\$6,725,000</u>	<u>\$2,213,194</u>

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, 2017, were an overall debt margin of \$112,739,446 and an unvoted debt margin of \$55,330,184.

Loans

In 2016, the Township received Mingo Estates Infrastructure Improvements Phase II loans, a thirty-year, zero-interest loan and in 2017 Stonecreek Drive Improvements loan, a thirty-year, zero-interest loan from the Ohio Public Works Commission. The projects will be paid through the Road and Bridge Fund (a nonmajor fund). Principal and interest requirements to retire the obligation outstanding at December 31, 2017, were as follows:

Year	OPWC Loans		
	<u>Mingo Estates</u> <u>Infrastructure</u> <u>Improvements Phase II</u>	<u>Stonecreek Drive Improvements</u>	<u>Total</u>
	Principal	Principal	Principal
2018	\$28,340	\$8,722	\$37,062
2019	28,340	8,722	37,062
2020	28,340	8,722	37,062
2021	28,340	8,722	37,062
2022	28,340	8,722	37,062
2023-2027	141,698	43,610	185,308
2028-2032	141,698	43,610	185,308
2033-2037	141,698	43,610	185,308
2038-2042	141,698	43,610	185,308
2043-2047	99,188	39,251	138,439
Total	<u>\$807,677</u>	<u>\$257,301</u>	<u>\$1,064,978</u>

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Leases

In 2014, the Township began leasing fire engines under noncancelable leases. An additional fire engine lease was entered into during 2017. The Township disbursed \$224,661 to pay lease costs for the year ended December 31, 2017. Future lease payments including principal and interest are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$245,325
2019	245,325
2020	245,325
2021	245,325
2022	135,096
2023-2024	<u>145,921</u>
Total	<u><u>\$1,262,316</u></u>

Note 11 – Joint Ventures

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

Note 12 – Jointly Governed Organizations

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

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

Violet Township
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 13 – Fund Balances

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

Fund Balances	General	Fire District	Road and Bridge	General Bond Retirement	Other Governmental Funds	Total
Restricted for						
General Governmental	764,879					764,879
Public Safety		8,370,668				8,370,668
Public Works			1,029,559		865,338	1,894,897
Debt Service				995,459		995,459
<i>Total Restricted</i>	<u>764,879</u>	<u>8,370,668</u>	<u>1,029,559</u>	<u>995,459</u>	<u>865,338</u>	<u>12,025,903</u>
Unassigned (Deficit)	<u>2,419,376</u>					<u>2,419,376</u>
<i>Total Fund Balances</i>	<u><u>\$3,184,255</u></u>	<u><u>\$8,370,668</u></u>	<u><u>\$1,029,559</u></u>	<u><u>\$995,459</u></u>	<u><u>\$865,338</u></u>	<u><u>\$14,445,279</u></u>



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Violet Township
Fairfield County
12970 Rustic Drive
Pickerington, Ohio 43147

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Violet Township, Fairfield County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Violet Township's basic financial statements and have issued our report thereon dated September 4, 2018, wherein we noted Violet Township uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Violet Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Violet Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Violet Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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 Township's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results and does not opine on the effectiveness of Violet Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Violet Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
September 4, 2018

**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2017-001

Material Weakness - Financial Statement Presentation

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

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

1. Certain funds, however budgeted separately, were not properly grouped together based on GASB 54.
2. Format and content of note disclosures updated to comply with the Township's reporting basis.
3. Capital lease payments were adjusted to accurately present the financial statement amounts and note disclosure amounts.
4. An additional major fund was required to be included in the financial statements.

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

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

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

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

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**VIOLET TOWNSHIP
FAIRFIELD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	2015	<p>The financial statements and notes to the financial statements required adjustments to properly state and disclose financial statement presentations:</p> <ol style="list-style-type: none"> 1. Certain funds, however budgeted separately, were not properly grouped together based on GASB 54. 2. Format and content of note disclosures updated to comply with the Township's reporting basis. 3. Capital lease payments were adjusted to accurately present the financial statements amounts and note disclosure amounts 	No	Repeated as finding 2017-001
2016-002	2016	The Township's fund balance transfer from Stonecreek Drive improvements fund, a capital improvements fund, to the general fund did not meet the requirements established by Ohio Revised Code 5705.14.	Yes	N/A

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Dave Yost • Auditor of State

VIOLET TOWNSHIP

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2018