



Dave Yost • Auditor of State



VILLAGE OF FELICITY  
CLERMONT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Felicity  
Clermont County  
415 Walnut Street  
Felicity, Ohio 45120

To the Village Council:

### ***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 the Village of Felicity, Clermont County, (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***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 the Village'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 the Village'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 opinions.

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

As described in Note 2 of the financial statements, the Village 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 the Village 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 the Village as of December 31, 2014 and 2013, 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 the Village of Felicity, Clermont County as of December 31, 2014 and 2013, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of the Village'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 the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 19, 2016

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$20,254	\$30,868	\$51,122
Municipal Income Tax	54,578	53,726	108,304
Intergovernmental	38,437	23,640	62,077
Charges for Services	60	0	60
Fines, Licenses and Permits	16,103	525	16,628
Earnings on Investments	1,131	82	1,213
Miscellaneous	8,409	0	8,409
	<u>138,972</u>	<u>108,841</u>	<u>247,813</u>
Total Cash Receipts			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	102,240	66,186	168,426
Public Health Services	0	0	0
Leisure Time Activities	307	0	307
Community Environment	0	5,320	5,320
Basic Utility Service	0	2,500	2,500
Transportation	22,447	31,505	53,952
General Government	30,485	9,937	40,422
	<u>155,479</u>	<u>115,448</u>	<u>270,927</u>
Total Cash Disbursements			
Total Receipts Over (Under) Disbursements	(16,507)	(6,607)	(23,114)
<b>Other Financing Sources (Uses):</b>			
Other Financing Sources	0	1,213	1,213
Other Financing Uses	0	(2,135)	(2,135)
	<u>0</u>	<u>(922)</u>	<u>(922)</u>
Total Other Financing Sources (Uses)			
Change in Fund Balances	(16,507)	(7,529)	(24,036)
Fund Cash Balances, January 1	<u>64,195</u>	<u>63,741</u>	<u>127,936</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	0	0
Restricted	0	56,212	56,212
Committed	0	0	0
Assigned	7,176	0	7,176
Unassigned (Deficit)	40,512	0	40,512
	<u>47,688</u>	<u>56,212</u>	<u>103,900</u>
<b>Fund Cash Balances, December 31</b>			

See Accompanying Notes to the Financial Statements

**VILLAGE OF FELICITY  
CLERMONT COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$306,496	\$0	\$306,496
Tap-In Fees	4,290	0	4,290
Total Operating Cash Receipts	<u>310,786</u>	<u>0</u>	<u>310,786</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	117,946	0	117,946
Contractual Services	136,362	0	136,362
Supplies and Materials	34,963	0	34,963
Total Operating Cash Disbursements	<u>289,271</u>	<u>0</u>	<u>289,271</u>
Operating Income (Loss)	<u>21,515</u>	<u>0</u>	<u>21,515</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	351	0	351
Other Non-Operating Cash Receipts	8,712	16,418	25,130
Total Non-Operating Cash Receipts	<u>9,063</u>	<u>16,418</u>	<u>25,481</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	10,095	0	10,095
Redemption of Principal	31,250	0	31,250
Interest and Other Fiscal Charges	21,971	0	21,971
Other Non-Operating Cash Disbursements	0	16,666	16,666
Total Non-Operating Cash Disbursements	<u>63,316</u>	<u>16,666</u>	<u>79,982</u>
Net Receipts Over (Under) Disbursements	(32,738)	(248)	(32,986)
Fund Cash Balances, January 1	<u>520,094</u>	<u>1,375</u>	<u>521,469</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$487,356</u></u>	<u><u>\$1,127</u></u>	<u><u>\$488,483</u></u>

See Accompanying Notes to the Financial Statements



**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Felicity, Clermont County, (the Village) as a body corporate and politic. The Village operates under a council/mayor form of government. Elected officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including police protection, recreation, street maintenance and repair, water and general administrative services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians which are not included in these financial statements. Such assets held by custodian are described in Note 8 to the financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

**Deposits and Investments**

The Village'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.

**Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF FELICITY  
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Police Fund – This fund receives real estate tax levy monies and other resources to fund police department operations.

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

**Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's most significant agency fund accounts for the collection and distribution of Mayor's Court fines and forfeitures.

**Budgetary Process**

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

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**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 also approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Village 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 2014 budgetary activity appears in Note 4.

VILLAGE OF FELICITY  
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

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

**Nonspendable**

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

**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 or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed**

Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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.

**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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

**Unassigned**

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

The Village 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.

**Property, Plant, and Equipment**

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

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**NOTE 3 – EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<u>2014</u>
Demand Deposits	<u>\$592,383</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or are collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**NOTE 4 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 is as follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$131,937	\$138,972	\$7,035
Special Revenue	41,450	110,054	68,604
Enterprise	345,005	319,849	(25,156)
Total	\$518,392	\$568,875	\$50,483

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,669	\$162,671	\$4,998
Special Revenue	49,554	124,283	(74,729)
Enterprise	396,236	377,629	18,607
Total	\$613,459	\$664,583	(\$51,124)

**NOTE 5 – PROPERTY TAXES**

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.

Public utilities are also taxed on personal and real property located within the Village.

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**NOTE 5 – PROPERTY TAXES (Continued)**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NOTE 6 – LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Income tax receipts are recorded into the General Fund, Income Tax Fund and Police Fund as directed by a resolution adopted by Council.

**NOTE 7 - DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Refunding Improvement Bonds	\$215,000	4.5% to 6.875%
Ohio Public Works Commission Loan	50,000	0.00%
Total	\$265,000	

The Refunding and Improvement Bonds relate to various improvements of the Village's water system. The Bonds were issued August 1, 1994, mature on August 1, 2024, and are subject to interest at a variable rate of 4.5 percent to 6.875 percent.

The Ohio Public Works Commission Loan relates to various improvements of the Village's water system. The loan was issued August 1, 1998, matures on July 1, 2019, and is not subject to interest.

Amortization of the Village's debt, including interest, is scheduled as follows:

	Refunding and Improvements Bonds	Ohio Public Works Commission
Year ending December 31:		
2015	\$29,781	\$10,000
2016	28,750	10,000
2017	32,719	10,000
2018	31,344	10,000
2019	29,969	10,000
2020-2024	152,155	0
Total	\$304,718	\$50,000

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**NOTE 8 – DEBT SERVICE TRUST FUNDS**

The Refunding and Improvement Bonds Trust Agreement required the Village to establish a debt service reserve fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2013, the custodian held \$13,556 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

**NOTE 9 – RETIREMENT SYSTEMS**

The Village's full-time Police Officers 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, thru July 1, 2014, OP&F participants were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, thru December 31, 2014, OP&F participants were required to contribute 11.5 percent of their annual covered salary. For 2014, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2014, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**NOTE 10 – RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases insurance coverage through HCC Pulic Risk to protect themselves from potential losses.

There have been no significant reductions in insurance coverage from 2013, and no insurance settlement has exceeded insurance coverage during the last three years.

**Workers' Compensation**

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost. The Village pays Sheakley Inc. to manage their workers compensation claims.

**NOTE 11 – CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal, state and other local governments. The grantor 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.

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$20,502	\$31,585	\$52,087
Municipal Income Tax	52,458	51,851	104,309
Intergovernmental	48,595	23,586	72,181
Charges for Services	615	0	615
Fines, Licenses and Permits	11,667	1,180	12,847
Earnings on Investments	972	89	1,061
Miscellaneous	228	0	228
	<u>135,037</u>	<u>108,291</u>	<u>243,328</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	90,503	83,289	173,792
Public Health Services	1,307	0	1,307
Leisure Time Activities	234	0	234
Community Environment	0	10,616	10,616
Basic Utility Service	0	0	0
Transportation	7,464	48,417	55,881
General Government	47,868	6,803	54,671
Capital Outlay	0	66	66
	<u>147,376</u>	<u>149,191</u>	<u>296,567</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over (Under) Disbursements	(12,339)	(40,900)	(53,239)
<b>Other Financing Sources (Uses):</b>			
Other Financing Sources	280	550	830
Other Financing Uses	0	(322)	(322)
	<u>280</u>	<u>228</u>	<u>508</u>
<b>Total Other Financing Sources (Uses)</b>			
Change in Fund Balances	(12,059)	(40,672)	(52,731)
Fund Cash Balances, January 1	<u>76,254</u>	<u>104,413</u>	<u>180,667</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	0	0
Restricted	0	63,741	63,741
Committed	0	0	0
Assigned	10,721	0	10,721
Unassigned (Deficit)	53,474	0	53,474
	<u>53,474</u>	<u>0</u>	<u>53,474</u>
<b>Fund Cash Balances, December 31</b>			
	<u>\$64,195</u>	<u>\$63,741</u>	<u>\$127,936</u>

See Accompanying Notes to the Financial Statements

**VILLAGE OF FELICITY  
CLERMONT COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$286,650	\$0	\$286,650
Tap-In Fees	3,382	0	3,382
	<u>290,032</u>	<u>0</u>	<u>290,032</u>
Total Operating Cash Receipts			
<b>Operating Cash Disbursements:</b>			
Personal Services	28,684	0	28,684
Contractual Services	78,609	0	78,609
Supplies and Materials	35,969	0	35,969
	<u>143,262</u>	<u>0</u>	<u>143,262</u>
Total Operating Cash Disbursements			
Operating Income (Loss)	<u>146,770</u>	<u>0</u>	<u>146,770</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	56	0	56
Other Non-Operating Cash Receipts	3	12,385	12,388
	<u>59</u>	<u>12,385</u>	<u>12,444</u>
Total Non-Operating Cash Receipts			
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	80,359	0	80,359
Redemption of Principal	20,000	0	20,000
Interest and Other Fiscal Charges	16,844	0	16,844
Other Non-Operating Cash Disbursements	44,955	12,085	57,040
	<u>162,158</u>	<u>12,085</u>	<u>174,243</u>
Total Non-Operating Cash Disbursements			
Net Receipts Over (Under) Disbursements	(15,329)	300	(15,029)
Fund Cash Balances, January 1	<u>535,423</u>	<u>1,075</u>	<u>536,498</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$520,094</u></u>	<u><u>\$1,375</u></u>	<u><u>\$521,469</u></u>

See Accompanying Notes to the Financial Statements



**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Felicity, Clermont County, (the Village) as a body corporate and politic. The Village operates under a council/mayor form of government. Elected officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including police protection, recreation, street maintenance and repair, water and general administrative services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians which are not included in these financial statements. Such assets held by custodian are described in Note 8 to the financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

**Deposits and Investments**

The Village'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.

**Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF FELICITY  
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Police Fund – This fund receives real estate tax levy monies and other resources to fund police department operations.

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

**Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's most significant agency fund accounts for the collection and distribution of Mayor's Court fines and forfeitures.

**Budgetary Process**

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

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**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 also approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Village 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 2013 budgetary activity appears in Note 4.

VILLAGE OF FELICITY  
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

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

**Nonspendable**

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

**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 or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed**

Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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.

**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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

**Unassigned**

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

The Village 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.

**Property, Plant, and Equipment**

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

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

**NOTE 3 – EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<u>2013</u>
Demand Deposits	<u>\$649,405</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or are collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**NOTE 4 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 is as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,205	\$135,317	\$17,112
Special Revenue	105,521	108,841	3,320
Enterprise	320,100	290,091	(30,009)
Total	\$543,826	\$534,249	(\$9,577)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,696	\$158,097	\$29,599
Special Revenue	160,474	152,051	8,423
Enterprise	345,604	328,287	17,317
Total	\$693,774	\$638,435	\$55,339

**NOTE 5 – PROPERTY TAXES**

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.

Public utilities are also taxed on personal and real property located within the Village.

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

**NOTE 5 – PROPERTY TAXES (Continued)**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NOTE 6 – LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Income tax receipts are recorded into the General Fund, Income Tax Fund and Police Fund as directed by a resolution adopted by Council.

**NOTE 7 - DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Refunding Improvement Bonds	\$230,000	4.5% to 6.875%
Ohio Public Works Commission Loan	60,000	0.00%
Total	\$290,000	

The Refunding and Improvement Bonds relate to various improvements of the Village's water system. The Bonds were issued August 1, 1994, mature on August 1, 2024, and are subject to interest at a variable rate of 4.5 percent to 6.875 percent.

The Ohio Public Works Commission Loan relates to various improvements of the Village's water system. The loan was issued August 1, 1998, matures on July 1, 2019, and is not subject to interest.

Amortization of the Village's debt, including interest, is scheduled as follows:

	Refunding and Improvements Bonds	Ohio Public Works Commission
Year ending December 31:		
2014	\$30,813	\$10,000
2015	29,781	10,000
2016	28,750	10,000
2017	32,719	10,000
2018	31,344	10,000
2019-2023	150,062	10,000
2024	32,062	0
Total	\$335,531	\$60,000

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

**NOTE 8 – DEBT SERVICE TRUST FUNDS**

The Refunding and Improvement Bonds Trust Agreement required the Village to establish a debt service reserve fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2013, no money was held by the custodian. The accompanying financial statements do not include these assets or the related receipts and disbursements.

**NOTE 9 – RETIREMENT SYSTEMS**

The Village's full-time Police Officers 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, 2013, thru July 1, 2013, OP&F participants were required to contribute 10 percent of their annual covered salary. From July 2, 2013, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. For 2013, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2013, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**NOTE 10 – RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases insurance coverage through HCC Pulic Risk to protect themselves from potential losses.

There have been no significant reductions in insurance coverage from 2012, and no insurance settlement has exceeded insurance coverage during the last three years.

**Workers' Compensation**

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost. The Village pays Sheakley Inc. to manage their workers compensation claims.

**NOTE 11 – CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal, state and other local governments. The grantor 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.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Felicity  
Clermont County  
415 Walnut Street  
Felicity, Ohio 45120

To the Village Council:

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 Village of Felicity, Clermont County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2016, wherein we noted the Village 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 the Village'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 the Village'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 the Village'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 that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-007.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 19, 2016



VILLAGE OF FELICITY  
CLERMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Noncompliance/Material Weakness**

**Ohio Admin. Code § 117-2-02(A)** requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the Village's accounting records:

- The Village's accounting system in place during 2013 and 2014 did not provide management with timely and accurate financial data from which well-informed decisions can be based. Financial reports that summarize data, when compared to the detailed reports from which they were derived, did not have matching report totals.
- Documentation could not be provided from the system to show what funds employees pay were being charged.
- Outstanding check lists could not be derived from the system and were maintained manually. Outstanding check lists provided for audit did not agree to the cash reconciliations prepared by the Village.
- Cash reconciliations prepared by the Village were not accurate and cash fund balances on the reconciliations did not agree to cash fund balances reported on the financial statements. No adjustments were made to the accompanying financial statements for the variances, however we recommend the Village continue to pursue and resolve the variances.
- Several distributions from the State of Ohio that were made via EFT were not posted to the accounting system; however the revenues were adjusted on the accompanying financial statements.

Timely and accurate financial information (including cash balances by fund, aggregate outstanding encumbrances by fund and remaining appropriations available for expenditure by fund) were not available to Village management. Therefore, management did not have adequate timely financial information available on which well-informed decisions could be based.

The Village engaged the Local Government Services (LGS) division of the Auditor of State to assist in compiling the financial statements and notes. LGS posted certain adjustments and corrections which are reflected in the accompanying financial statements.

Failure to accurately reconcile the accounting records and provide accurate financial information 1) reduces the accountability over the Village's funds, 2) reduces Council's ability to monitor financial activity and make informed financial decisions, and 3) increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

We recommend that the Village take the necessary steps to implement an accounting system that produces reliable data and financial reports. We noted that during 2015, the Village began utilizing the Uniform Accounting Network supported by the Auditor of State. We also recommend the Village review EFT's posted the bank account monthly and verify all receipts received via EFT are posted to the accounting system. The Village should also prepare accurate monthly cash reconciliations, document reconciling items, and maintain supporting documentation for all reconciling items.

## FINDING NUMBER 2014-002

### Noncompliance

The Village's outstanding Refunding and Improvement Bonds (enterprise debt) are subject to various debt compliance requirements that are contained in the Indenture of Mortgage dated August 1, 1994:

- The Village is required to submit an annual report of system operation to the bond trustee by June 30th of each year.
- The Village is required to pay monthly into the Bond Account held by the Bank of New York Mellon an amount equal to at least one-sixth of the interest due on all outstanding Bonds on the next ensuing interest payment date plus one-twelfth of the principal due on the next ensuing principal payment date.
- The Village must realize net income available for debt service of at least 120% of the following year's principal and interest payments related to the Refunding and Improvement Bonds plus 100% of the principal and interest of all other debt related to the water system that is due in the following year.
- The Village is required to maintain a balance of \$35,000 in the Replacement and Improvement Fund. Monthly payments shall be made in the amount of \$583 if at any time the balance is less than \$35,000 and shall continue until the balance in the fund again equals \$35,000.

The Village did not comply with the above requirements as follows:

- The Village did not prepare and submit annual reports of operation to the bond trustee by June 30th of each year.
- The Village did not make monthly payments into the Bond Account from January 2013 through March of 2014.
- The Village 2014 net income available for debt service was not at least 120% of the following year's principal and interest payments related to the Refunding and Improvement Bonds plus 100% of the principal and interest of all other debt related to the water system that is due in the following year. Net income available for debt service was short of the required amount by \$24,222.
- In 2014 the balance of the Replacement and Improvement fund fell below the required \$35,000 and the Village did not make the required monthly payments of \$583 to the fund. The balance of the Replacement and Improvement fund at December 31, 2014 was \$7,135.

Noncompliance with debt covenant requirements could cause the Village to be subject to accelerated debt service payments.

The Village should assess their accounting system so that reports of the Water System's Operation can be compiled and submitted to the bond trustee by June 30th each year. The Village should make monthly payments into the Bond Account held by the Bank of New York Mellon as required by the debt covenant. The Village should review and consider adjusting rates and/or expenditure levels such that net income available for debt service meets the required level in the debt covenant. Finally, the Village should make the required monthly payments of \$583 to the Replacement and Improvement fund until the balance reaches the \$35,000 as required by the debt covenant.

**FINDING NUMBER 2014-003**

**Noncompliance**

**Ohio Rev. Code § 5705.39** provides in part that total appropriations from each fund shall not exceed the total estimated resources as certified by the budget commission.

The following fund had appropriations in excess of the estimated resources available for expenditure as certified by the budget commission:

<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
General – 2013	\$174,792	\$187,696	(\$12,904)

Allowing appropriations to exceed amounts certified as available can result in overspending and deficit fund balances.

The Village should routinely compare appropriations to the estimated resources available for expenditures as certified by the budget commission for each fund to ensure compliance with the requirements of the Ohio Revised Code.

**FINDING NUMBER 2014-004**

**Noncompliance**

**Ohio Admin. Code § 117-2-02 (C)(1)** states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

*Appropriations:*

Appropriations posted to the accounting system did not agree with appropriations made by Village Council as follows:

<b>2013</b>			
<b>Fund Type</b>	<b>Appropriations Adopted</b>	<b>Appropriations Posted to the Accounting System</b>	<b>Variance</b>
General Fund	\$187,696	\$38,089	\$149,607
Special Revenue	160,474	43,370	117,104
Enterprise Funds	345,604	50,245	295,359
<b>2014</b>			
<b>Fund Type</b>	<b>Appropriations Adopted</b>	<b>Appropriations Posted to the Accounting System</b>	<b>Variance</b>
General Fund	\$167,669	\$207,211	\$(39,542)
Special Revenue	49,554	109,017	(59,463)
Enterprise Funds	396,236	426,967	(30,731)

**FINDING NUMBER 2014-004  
 (Continued)**

*Estimated Receipts:*

The estimated receipts entered in the accounting system did not agree with estimated receipts certified by the budget commission on the certificate of estimated resources.

Certified estimated receipts varied from those posted to the accounting system as follows:

<b>2013</b>			
<b>Fund Type</b>	<b>Certified Estimated Receipts</b>	<b>Estimated Receipts Posted to the Accounting System</b>	<b>Variance</b>
General Fund	\$118,205	\$136,275	\$(18,070)
Special Revenue	105,521	112,019	(6,498)
Enterprise Funds	320,100	374,000	(53,900)
<b>2014</b>			
<b>Fund Type</b>	<b>Certified Estimated Receipts</b>	<b>Estimated Receipts Posted to the Accounting System</b>	<b>Variance</b>
General Fund	\$131,937	\$142,409	\$(10,472)
Special Revenue	41,450	111,715	(70,265)
Enterprise Funds	345,005	350,110	(5,105)

Failure to completely and accurately post budgetary information in the accounting system reduces Council's ability to monitor financial activity and make informed financial decisions, and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend that the Village Council adopt appropriations and estimated resources and the amounts adopted should be recorded in the minute records. Only those appropriations and estimated resources amounts adopted by the Village Council and documented in the minute records should be posted in the accounting system.

**FINDING NUMBER 2014-005**

**Noncompliance**

**Ohio Rev. Code § 5705.41(B)** provides that no subdivision or taxing unit to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in the following funds:

<b>Fund</b>	<b>Expenditures plus Encumbrances</b>	<b>Appropriations</b>	<b>Variance</b>
Police Levy Fund-2013	\$83,064	\$72,545	(\$10,519)
Police Levy Fund-2014	66,974	155	(66,819)

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

The Village should routinely compare actual expenditures to current appropriations and amend appropriations when needed.

**FINDING NUMBER 2014-006**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that the Village must file annual reports with the Auditor of State within 60 days of the fiscal year end.

The Village did not file an annual report with the Auditor of State for 2014.

Failure to file the annual report could result in the Village being fined by the Auditor of State.

We recommend the Village file their annual reports within 60 days of the fiscal year end.

**FINDING NUMBER 2014-007**

**Noncompliance**

**Ohio Rev. Code § 5705.10(H)** states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. Contrary to Ohio law, the Village had the following negative cash fund balances:

<b>Year</b>	<b>Fund</b>	<b>Cash Balance</b>
2013	Indigent Driver Alcohol Treatment	\$(4,821)
2014	Indigent Driver Alcohol Treatment	(4,821)
	Police	(19,786)

Failure to monitor budgetary activity can result in overspending and negative fund balances.

We recommend that the Village monitor its available fund balance and budgetary activity monthly.

**Officials' Response:**

We did not receive a response from Officials to the finding reported above.

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**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-001	Inadequately Implemented System of Accounting; Bank Reconciliation Accuracy	No	Repeated as part of Finding 2014-001
2012-002	Federal Tax Withholdings Not Remitted Timely	No	Partially Corrected; Reported in the Management Letter
2012-003	Failure to Comply with Indenture of Mortgage Related Enterprise Debt	No	Repeated as Finding 2014-002
2012-004	Appropriations in Excess of Estimated Resources	No	Repeated as Finding 2014-003
2012-005	Expenditures in Excess of Appropriations	No	Repeated as Finding 2014-005
2012-006	Failure to Submit Annual Report to the Auditor of State	No	Repeated as Finding 2014-006
2012-007	Failure to Integrate Budgetary Accounts into the Accounting System	No	Repeated as Finding 2014-004

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# Dave Yost • Auditor of State

VILLAGE OF FELICITY

CLERMONT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 10, 2016