



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, 2016 and 2015.

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.

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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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Felicity, Clermont County, as of December 31, 2016 and 2015, 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 January 29, 2018, 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

January 29, 2018

Village of Felicity, Ohio
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,295	\$28,560	\$49,855
Municipal Income Tax	68,207	36,725	104,932
Intergovernmental	51,374	25,911	77,285
Charges for Services	966	0	966
Fines, Licenses and Permits	17,863	800	18,663
Earnings on Investments	1,045	90	1,135
<i>Total Cash Receipts</i>	<u>160,750</u>	<u>92,086</u>	<u>252,836</u>
Cash Disbursements			
Current:			
Security of Persons and Property	93,300	42,967	136,267
Public Health Services	0	0	0
Leisure Time Activities	96	0	96
Community Environment	5,923	0	5,923
Basic Utility Services	2,000	0	2,000
Transportation	25,609	54,450	80,059
General Government	86,351	684	87,035
<i>Total Cash Disbursements</i>	<u>213,279</u>	<u>98,101</u>	<u>311,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(52,529)</u>	<u>(6,015)</u>	<u>(58,544)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	921	0	921
Other Financing Sources	21,229	6,578	27,807
<i>Total Other Financing Receipts (Disbursements)</i>	<u>22,150</u>	<u>6,578</u>	<u>28,728</u>
<i>Net Change in Fund Cash Balances</i>	(30,379)	563	(29,816)
<i>Fund Cash Balances, January 1</i>	<u>50,861</u>	<u>72,239</u>	<u>123,100</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	86,818	86,818
Committed	0	0	0
Assigned	9,539	0	9,539
Unassigned (Deficit)	10,943	(14,016)	(3,073)
<i>Fund Cash Balances, December 31</i>	<u>\$20,482</u>	<u>\$72,802</u>	<u>\$93,284</u>

See accompanying notes to the basic financial statements

Village of Felicity, Ohio
Clermont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Mayor's Court	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$312,413	\$0	\$312,413
<i>Total Operating Cash Receipts</i>	<u>312,413</u>	<u>0</u>	<u>312,413</u>
Operating Cash Disbursements			
Personal Services	141,244		141,244
Employee Fringe Benefits	14,914		14,914
Contractual Services	79,944		79,944
Supplies and Materials	34,443		34,443
<i>Total Operating Cash Disbursements</i>	<u>270,545</u>	<u>0</u>	<u>270,545</u>
<i>Operating Income (Loss)</i>	<u>41,868</u>	<u>0</u>	<u>41,868</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	10		10
Capital Outlay	(1,447)		(1,447)
Principal Retirement	(25,000)		(25,000)
Interest and Other Fiscal Charges	(15,673)		(15,673)
Other Non-Operating Receipts	249	15,470	15,719
Other Non-Operating Disbursements	0	(15,786)	(15,786)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(41,861)</u>	<u>(316)</u>	<u>(42,177)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	7	(316)	(309)
Transfers In	40,000		40,000
Transfers Out	(40,000)		(40,000)
<i>Net Change in Fund Cash Balances</i>	7	(316)	(309)
<i>Fund Cash Balances, January 1</i>	<u>522,052</u>	<u>1,683</u>	<u>523,735</u>
<i>Fund Cash Balances, December 31</i>	<u>\$522,059</u>	<u>\$1,367</u>	<u>\$523,426</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Felicity (the Village), Clermont County, 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. A publicly-elected six-member Council directs the Village. The Village provides water, park operations, and police services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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 recognized 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 funds 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 Village are presented below:

General Fund 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Levy – 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: The Village owns its own *Water Department*.

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village and outside of the Village where our water lines are.

VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 agency fund accounts for the collection and distribution of Mayor's Court fines and forfeitures.

Basis of Accounting

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

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

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. 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 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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.

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$176,317	\$182,900	\$6,583
Special Revenue	54,861	98,664	43,803
Enterprise	355,264	352,672	(2,592)
Total	\$586,442	\$634,236	\$47,794

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$176,008	\$213,279	(\$37,271)
Special Revenue	129,784	98,101	31,683
Enterprise	809,810	352,665	457,145
Total	\$1,115,602	\$664,045	\$451,557

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 3 - Budgetary Activity (Continued)

Note: The amounts notes above for the General Fund include the Income Tax Fund, which is included within the General Fund for financial reporting purposes.

The Village has expenditures in excess of appropriations in the General Fund and Police Levy Fund.

Also, the Village had appropriations in excess of the estimated resources available for expenditure in the General Fund.

Note 4 – 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:

Demand deposits	\$616,710
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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 5 – Taxes

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.

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

Income Taxes

The Village levies a municipal income tax of 1% 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, Street Construction and Repair Fund, Income Tax Fund and Police Levy Fund as directed by a resolution adopted by Council.

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 6 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Refunding Improvement Bonds	\$185,000	4.5%-6.875%
Ohio Public Works Commission Loan	30,000	0.00%
Total	<u>\$215,000</u>	

The Refunding and Improvement Bonds relate to various improvements of the Village's water system. The Bonds were issued August 1, 1994 and 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 Villages water system. The loan was issued August 1, 1998 and matures on July 1, 2019 and is not subject to interest.

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

<u>Year Ending December 31:</u>	<u>Refunding and Improvements Bonds</u>	<u>Ohio Public Works Commission</u>
2017	\$32,719	\$10,000
2018	31,344	10,000
2019	29,969	<u>10,000</u>
2020	28,594	
2021	32,219	
2022-2024	<u>91,343</u>	
Totals	<u>\$246,188</u>	<u>\$30,000</u>

Note 7 – 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 Pillar Insurance Company to protect themselves from potential losses.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twenty-five employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – 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, 2016 the custodian held \$15,884 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

Note 11 – 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 Group Management to manage their workers compensation claims.

Note 12 – Subsequent Events

In August 2017, the Village disbursed \$59,012 to the Internal Revenue Service for an outstanding employment tax liability.

Note 13 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.

Note 14 – Negative Fund Balances

At the end of 2016, the Village had negative fund balances in the Drug Law Enforcement Fund, Indigent Alcohol Treatment Fund, and the Police Levy Fund.

Village of Felicity, Ohio

Clermont County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,229	\$29,458	\$50,687
Municipal Income Tax	63,685	34,290	97,975
Intergovernmental	57,357	23,002	80,359
Charges for Services	75	0	75
Fines, Licenses and Permits	23,852	2,096	25,948
Earnings on Investments	765	66	831
<i>Total Cash Receipts</i>	<u>166,963</u>	<u>88,912</u>	<u>255,875</u>
Cash Disbursements			
Current:			
Security of Persons and Property	85,426	31,466	116,892
Public Health Services	772	0	772
Leisure Time Activities	141	0	141
Community Environment	3,719	0	3,719
Basic Utility Services	3,000	0	3,000
Transportation	19,256	28,729	47,985
General Government	64,921	356	65,277
<i>Total Cash Disbursements</i>	<u>177,235</u>	<u>60,551</u>	<u>237,786</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,272)</u>	<u>28,361</u>	<u>18,089</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	1,111		1,111
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,111</u>	<u>0</u>	<u>1,111</u>
<i>Net Change in Fund Cash Balances</i>	(9,161)	28,361	19,200
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>60,022</u>	<u>43,878</u>	<u>103,900</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	87,834	87,834
Committed	0	0	0
Assigned	15,678	0	15,678
Unassigned (Deficit)	35,183	(15,595)	19,588
<i>Fund Cash Balances, December 31</i>	<u>\$50,861</u>	<u>\$72,239</u>	<u>\$123,100</u>

See accompanying notes to the basic financial statements

Village of Felicity, Ohio

Clermont County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2015

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Mayor's Court	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$304,111	\$0	\$304,111
<i>Total Operating Cash Receipts</i>	<u>304,111</u>	<u>0</u>	<u>304,111</u>
Operating Cash Disbursements			
Personal Services	93,892		93,892
Employee Fringe Benefits	6,931		6,931
Contractual Services	92,945		92,945
Supplies and Materials	37,370		37,370
<i>Total Operating Cash Disbursements</i>	<u>231,138</u>	<u>0</u>	<u>231,138</u>
<i>Operating Income (Loss)</i>	<u>72,973</u>	<u>0</u>	<u>72,973</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	14		14
Capital Outlay	(360)		(360)
Principal Retirement	(25,000)		(25,000)
Interest and Other Fiscal Charges	(12,931)		(12,931)
Other Non-Operating Receipts	0	22,206	22,206
Other Non-Operating Disbursements	0	(21,650)	(21,650)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(38,277)</u>	<u>556</u>	<u>(37,721)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	34,696	556	35,252
Transfers In	40,000		40,000
Transfers Out	(40,000)		(40,000)
<i>Net Change in Fund Cash Balances</i>	34,696	556	35,252
<i>Fund Cash Balances, January 1</i>	<u>487,356</u>	<u>\$1,127</u>	<u>488,483</u>
<i>Fund Cash Balances, December 31</i>	<u>\$522,052</u>	<u>\$1,683</u>	<u>\$523,735</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Felicity (the Village), Clermont County, 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. A publicly-elected six-member Council directs the Village. The Village provides water, park operations, and police services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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 recognized 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 funds 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 Village are presented below:

General Fund 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Levy – 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: The Village owns its own *Water Department*.

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village and outside of the Village where our water lines are.

VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 agency fund accounts for the collection and distribution of Mayor's Court fines and forfeitures.

Basis of Accounting

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

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

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. 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 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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.

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$176,649	\$168,074	(\$8,575)
Special Revenue	82,745	88,912	6,167
Enterprise	382,837	344,125	(38,712)
Total	\$642,231	\$601,111	(\$41,120)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$201,760	\$177,235	\$24,525
Special Revenue	108,985	60,551	48,434
Enterprise	886,842	309,429	577,413
Total	\$1,197,587	\$547,215	\$650,372

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 3 - Budgetary Activity (Continued)

Note: The amounts notes above for the General Fund include the Income Tax Fund, which is included within the General Fund for financial reporting purposes.

Note 4 – 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:

Demand deposits	\$646,835
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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 5 – Taxes

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.

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

Income Taxes

The Village levies a municipal income tax of 1% 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, Street Construction and Repair Fund, Income Tax Fund and Police Levy Fund as directed by a resolution adopted by Council.

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 6 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Refunding Improvement Bonds	\$200,000	4.5%-6.875%
Ohio Public Works Commission Loan	<u>40,000</u>	0.00%
Total	<u>\$240,000</u>	

The Refunding and Improvement Bonds relate to various improvements of the Village's water system. The Bonds were issued August 1, 1994 and 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 Villages water system. The loan was issued August 1, 1998 and matures on July 1, 2019 and is not subject to interest.

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

<u>Year Ending December 31:</u>	<u>Refunding and Improvements Bonds</u>	<u>Ohio Public Works Commission</u>
2016	\$30,673	\$10,000
2017	32,719	10,000
2018	31,344	10,000
2019	29,969	<u>10,000</u>
2020	28,594	
2021-2024	<u>123,562</u>	
Totals	\$276,861	\$40,000

Note 7 - 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 Pillar Insurance Company to protect themselves from potential losses.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twenty-five employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

All the Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – 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, 2015 the custodian held \$11,706 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

Note 11 – 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 Group Management to manage their workers compensation claims.

Note 12 – Subsequent Events

In August 2017, the Village disbursed \$59,012 to the Internal Revenue Service for an outstanding employment tax liability.

Note 13 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.

Note 14 – Restatement of Cash Fund Balance

An evaluation of the Village's Income Tax Fund determined it should be reported as part of the General Fund rather than with the Special Revenue Funds. This change had the following effect on cash fund balance as reported December 31, 2014:

**VILLAGE OF FELICITY, OHIO
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 14 – Restatement of Cash Fund Balance (Continued)

	General Fund	Special Revenue Funds
Cash Fund Balance at December 31, 2014	\$47,688	\$56,212
<i>Adjustment:</i>		
Income Tax Fund Balance	12,334	(12,334)
Restated Cash Fund Balance at December 31, 2014	\$60,022	\$43,878

Note 15 – Negative Fund Balances

At the end of 2015, the Village had negative fund balances in the Indigent Alcohol Treatment Fund and the Police Levy Fund.

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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 cash balances, receipts, and disbursements by fund type of the Village of Felicity, Clermont County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated January 29, 2018 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 opinion 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 2016-005 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 2016-001 through 2016-004.

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.



Dave Yost
Auditor of State

Columbus, Ohio

January 29, 2018

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING 2016-001

Noncompliance

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

Fund	Expenditures plus Encumbrances	Appropriations	Variance
General Fund-2016	\$ 200,671	\$ 176,008	\$ (24,663)
Police Levy Fund-2016	41,331	10,916	(30,415)

Note: The General Fund above does not include the Income Tax Fund. The Income Tax Fund is only reported within the General Fund for financial reporting purposes. The Village includes these two funds separately in budgetary documents and for monitoring purposes.

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 2016-002

Noncompliance

Ohio Rev. Code § 5705.39 states 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:

Fund	Estimated Resources	Appropriations	Variance
General – 2016	\$158,426	\$176,008	(\$17,582)

Note: The General Fund above does not include the Income Tax Fund. The Income Tax Fund is only reported within the General Fund for financial reporting purposes. The Village includes these two funds separately in budgetary documents and for monitoring purposes.

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 Rev. Code.

FINDING 2016-003

Noncompliance

Ohio Admin. Code § 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.

The Village failed to properly post estimated receipts and appropriations to the accounting system. The following differences were noted between the amounts posted to the accounting system and the approved budgetary documents for each fiscal year as follows:

Estimated Receipts	Per Certificate of Estimated Resources	Amount Posted to Accounting System	Variance
General – 2016	\$160,330	\$158,426	(\$1,904)
Permissive Motor Vehicle License Tax – 2016	2,694	3,100	406
General – 2015	161,149	147,826	(13,323)
SCMR – 2015	40,385	20,385	(20,000)
Mayor's Computer – 2015	500	250	(250)
Water Operating – 2015	314,972	313,400	(1,572)

Appropriations	Per Appropriation Resolutions	Amount Posted to Accounting System	Variance
General – 2016	\$176,008	\$173,608	(\$2,400)
Water Operating – 2015	775,539	313,400	(462,139)

Note: The General Fund above does not include the Income Tax Fund. The Income Tax Fund is only reported within the General Fund for financial reporting purposes. The Village includes these two funds separately in budgetary documents and for monitoring purposes.

Failure to properly record estimated receipts and appropriations in the accounting system may result in an inability of management and Village Council to properly monitor the activity and budgetary status of the Village and could result in overspending.

We recommend the Village properly record estimated receipts and appropriations in the accounting system to properly monitor the financial activity of the Village.

FINDING 2016-004

Noncompliance

Ohio Rev. Code § 5705.10(I) 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 at December 31, 2015 and 2016:

**FINDING 2016-004
 (Continued)**

Fund	Cash Balance
Indigent Alcohol Treatment Fund – 2015	(\$4,821)
Police Levy Fund – 2015	(10,774)
Drug Law Enforcement Fund – 2016	(84)
Indigent Alcohol Treatment Fund – 2016	(4,821)
Police Levy Fund – 2016	(9,111)

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.

FINDING 2016-005

Material Weakness

All local public offices shall 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 required by 117-2-03 of the Ohio Administrative Code.

We identified the following conditions related to the above criteria:

- Governmental Accounting Standards Board codification sections 1300.104-.105 state that “special revenue funds are used to 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” and that the “general fund should be used to account for and report all financial resources not accounted for and reported in another fund.” The Village recorded the general income tax activity (no restriction) in a Special Revenue Fund rather than the General fund. For 2015, the Income Tax Fund had a beginning fund balance of \$12,334, Income Taxes receipts of \$12,784, General Government, Community Environment, and Basic Utility Services disbursements of \$13,374, \$3,719, and \$3,000, respectively, and an ending fund balance of \$5,025. For 2016, the Income Tax Fund had a beginning fund balance of \$5,025, Income Taxes receipts of \$15,209, General Government, Community Environment, and Basic Utility Services disbursements of \$9,918, \$5,923, and \$2,000, respectively, and an ending fund balance of \$2,393.
- Beginning fund balances in the Village's 2015 financial statement filed with the Auditor of State for the General Fund, Special Revenue Funds, Enterprise Funds, and Agency fund did not agree to the audited 2014 ending fund balances. The General Fund was understated by \$18,865, the Special Revenue Funds were overstated by \$2,538, the Enterprise Funds were overstated by \$18,221, and the Agency Fund was understated by \$833.
- The Village did not report the Mayor's Court receipts and disbursements in the 2015 and 2016 financial statements filed with the Auditor of State. For 2015, the Mayor's Court Agency Fund had Other Non-Operating receipts of \$22,206 and Other Non-Operating disbursements of \$21,650. For 2016, the Mayor's Court Agency Fund had Other Non-Operating receipts of \$15,470 and Other Non-Operating disbursements of \$15,786.

FINDING 2016-005
(Continued)

- Income tax receipts totaling \$5,030 and \$1,582 for the Policy Levy Fund and Street Maintenance Construction and Repair Fund, respectively, were incorrectly posted to the General Fund in 2015.
- Income tax receipts totaling \$759 for the General Fund were incorrectly posted to the Policy Levy Fund and Street Maintenance Construction and Repair Fund for \$251 and \$508, respectively, in 2016.
- Interest and Fiscal Charges totaling \$15,673 and \$12,931 for the Enterprise Funds in 2016 and 2015, respectively, were incorrectly posted to Principal Retirement.
- Assigned Fund Balance totaling \$9,539 and \$15,678 in the General Fund in 2016 and 2015, respectively, was incorrectly classified as Unassigned Fund Balance.
- Intergovernmental receipts totaling \$4,693 and \$1,595 in the General Fund and the Special Revenue Funds, respectively, were deposited in 2015 but not recorded to the accounting system until 2016.
- Intergovernmental receipts totaling \$3,994 in the General Fund were incorrectly posted to Property Taxes receipts in 2015.
- Intergovernmental receipts totaling \$435 in the General Fund were incorrectly posted to the Special Revenue Funds in 2016.

The financial statements and accounting records have been adjusted for these errors, where applicable. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$392 to \$527 that we have brought to the Village's attention.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

Officials' Response:

We did not receive a response from Officials to the findings noted above.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	The Village did not maintain the accounting system and accounting records.	Yes	
2014-002	The Village did not comply with various debt covenant requirements.	No	Partially corrected – Repeated in the Management Letter
2014-003	The Village had appropriations in excess of estimated resources	No	Not corrected – Repeated as Finding Number 2016-003
2014-004	Budgetary posting in the accounting system did not agree with official documents	No	Not corrected – Repeated as Finding Number 2016-004
2014-005	The Village had expenditures in excess of appropriations	No	Not corrected – Repeated as Finding Number 2016-002
2014-006	The Village did not file an annual report for 2014.	Yes	
2014-007	The Village had negative fund balances.	No	Not corrected – Repeated as Finding Number 2016-005

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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
FEBRUARY 15, 2018