

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO
FINANCIAL STATEMENTS – CASH BASIS**

DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

Village Council
Village of Felicity
415 Walnut Street
Felicity, Ohio 45120

We have reviewed the *Independent Auditors' Report* of the Village of Felicity, Clermont County, prepared by Hurst, Kelly & Company LLC, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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Dave Yost
Auditor of State

January 10, 2013

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VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO

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INDEPENDENT AUDITORS' REPORT

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

To Village Council:

We have audited the accompanying financial statements of the Village of Felicity, Clermont County, (the Village) as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

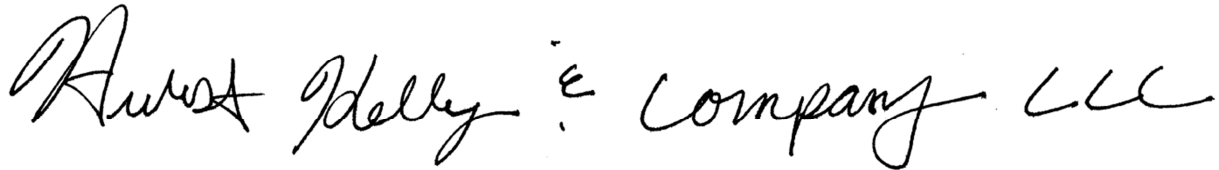
As described more fully in Note 1, the Village has prepared these financial statements using accounting practices prescribed or permitted by the Ohio Auditor of State, whose practices differ from accounting principles generally accepted in the United States of America (GAAP). The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Ohio Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Ohio Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, the changes in its financial position, or, where applicable, its cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Felicity, Clermont County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Robert Kelly & Company LLC". The signature is written in a cursive, flowing style.

Mason, Ohio
September 6, 2012

**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, 2010**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$ 22,657 | \$ 28,915 | \$ 51,572 |
| Municipal Income Tax | 51,675 | 51,675 | 103,350 |
| Intergovernmental | 79,169 | 26,594 | 105,763 |
| Charges for Services | 205 | - | 205 |
| Fines, Licenses and Permits | 15,996 | 50 | 16,046 |
| Earnings on Investments | 1,156 | 106 | 1,262 |
| Miscellaneous | 59 | 9 | 68 |
| | <u>170,917</u> | <u>107,349</u> | <u>278,266</u> |
| Total Cash Receipts | | | |
| | <u>170,917</u> | <u>107,349</u> | <u>278,266</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 91,820 | 64,066 | 155,886 |
| Public Health Services | 2,507 | - | 2,507 |
| Leisure Time Activities | 376 | - | 376 |
| Community Environment | - | 5,202 | 5,202 |
| Basic Utility Service | - | 2,152 | 2,152 |
| Transportation | 21,788 | 32,812 | 54,600 |
| General Government | 52,049 | 10,666 | 62,715 |
| | <u>168,540</u> | <u>114,898</u> | <u>283,438</u> |
| Total Cash Disbursements | | | |
| | <u>168,540</u> | <u>114,898</u> | <u>283,438</u> |
| Total Receipts Over (Under) Disbursements | 2,377 | (7,549) | (5,172) |
| Fund Cash Balances, January 1 | <u>108,173</u> | <u>100,717</u> | <u>208,890</u> |
| Fund Cash Balances, December 31 | <u>\$ 110,550</u> | <u>\$ 93,168</u> | <u>\$ 203,718</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 8,437</u> | <u>\$ 6,835</u> | <u>\$ 15,272</u> |

The notes to the financial statements are an integral part of this statement.

**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, 2010**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 282,244 | \$ - | \$ 282,244 |
| Total Operating Cash Receipts | 282,244 | - | 282,244 |
| Operating Cash Disbursements: | | | |
| Personal Services | 108,813 | - | 108,813 |
| Contractual Services | 84,482 | - | 84,482 |
| Supplies and Materials | 43,877 | - | 43,877 |
| Total Operating Cash Disbursements | 237,172 | - | 237,172 |
| Operating Income (Loss) | 45,072 | - | 45,072 |
| Non-Operating Cash Receipts: | | | |
| Intergovernmental | 218,262 | - | 218,262 |
| Earnings on Investments | 70 | - | 70 |
| Other Non-Operating Cash Receipts | - | 15,404 | 15,404 |
| Total Non-Operating Cash Receipts | 218,332 | 15,404 | 233,736 |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 272,936 | - | 272,936 |
| Redemption of Principal | 20,000 | - | 20,000 |
| Interest and Other Fiscal Charges | 16,487 | - | 16,487 |
| Other Non-Operating Cash Disbursements | - | 14,631 | 14,631 |
| Total Non-Operating Cash Disbursements | 309,423 | 14,631 | 324,054 |
| Net Receipts Over (Under) Disbursements | (46,019) | 773 | (45,246) |
| Fund Cash Balances, January 1 | 568,690 | 851 | 569,541 |
| Fund Cash Balances, December 31 | \$ 522,671 | \$ 1,624 | \$ 524,295 |
| Reserve for Encumbrances, December 31 | \$ 24,201 | \$ - | \$ 24,201 |

The notes to the financial statements are an integral part of this statement.

**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, 2009**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$ 22,718 | \$ 28,926 | \$ 51,644 |
| Municipal Income Tax | 55,125 | 55,125 | 110,250 |
| Intergovernmental | 81,576 | 33,091 | 114,667 |
| Charges for Services | 2,005 | - | 2,005 |
| Fines, Licenses and Permits | 18,179 | 25 | 18,204 |
| Earnings on Investments | 1,773 | 164 | 1,937 |
| Miscellaneous | 1,797 | 20,000 | 21,797 |
| | <u>183,173</u> | <u>137,331</u> | <u>320,504</u> |
| Total Cash Receipts | | | |
| | 183,173 | 137,331 | 320,504 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 85,099 | 62,825 | 147,924 |
| Public Health Services | 1,500 | - | 1,500 |
| Leisure Time Activities | 284 | - | 284 |
| Community Environment | - | 5,358 | 5,358 |
| Basic Utility Service | - | 2,492 | 2,492 |
| Transportation | 19,742 | 44,935 | 64,677 |
| General Government | 54,067 | 8,880 | 62,947 |
| | <u>160,692</u> | <u>124,490</u> | <u>285,182</u> |
| Total Cash Disbursements | | | |
| | 160,692 | 124,490 | 285,182 |
| Total Receipts Over (Under) Disbursements | 22,481 | 12,841 | 35,322 |
| Fund Cash Balances, January 1, Restated | 85,692 | 87,876 | 173,568 |
| | <u>85,692</u> | <u>87,876</u> | <u>173,568</u> |
| Fund Cash Balances, December 31 | \$ 108,173 | \$ 100,717 | \$ 208,890 |
| | <u>\$ 108,173</u> | <u>\$ 100,717</u> | <u>\$ 208,890</u> |
| Reserve for Encumbrances, December 31 | \$ 3,062 | \$ 4,493 | \$ 7,555 |
| | <u>\$ 3,062</u> | <u>\$ 4,493</u> | <u>\$ 7,555</u> |

The notes to the financial statements are an integral part of this statement.

**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, 2009**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 273,526 | \$ - | \$ 273,526 |
| Total Operating Cash Receipts | 273,526 | - | 273,526 |
| Operating Cash Disbursements: | | | |
| Personal Services | 96,812 | - | 96,812 |
| Contractual Services | 101,159 | - | 101,159 |
| Supplies and Materials | 44,168 | - | 44,168 |
| Total Operating Cash Disbursements | 242,139 | - | 242,139 |
| Operating Income (Loss) | 31,387 | - | 31,387 |
| Non-Operating Cash Receipts: | | | |
| Earnings on Investments | 132 | - | 132 |
| Other Non-Operating Cash Receipts | - | 18,246 | 18,246 |
| Total Non-Operating Cash Receipts | 132 | 18,246 | 18,378 |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 41,607 | - | 41,607 |
| Redemption of Principal | 20,000 | - | 20,000 |
| Interest and Other Fiscal Charges | 19,665 | - | 19,665 |
| Other Non-Operating Cash Disbursements | - | 18,344 | 18,344 |
| Total Non-Operating Cash Disbursements | 81,272 | 18,344 | 99,616 |
| Net Receipts Over (Under) Disbursements | (49,753) | (98) | (49,851) |
| Fund Cash Balances, January 1, Restated | 618,443 | 949 | 619,392 |
| Fund Cash Balances, December 31 | \$ 568,690 | \$ 851 | \$ 569,541 |
| Reserve for Encumbrances, December 31 | \$ 19,828 | \$ - | \$ 19,828 |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. 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.

B. 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.

C. 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.

D. 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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

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

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

3. 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.

4. 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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The 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.

2. Estimated Resources

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

3. 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 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

F. 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.

G. Accumulated Leave

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

2. 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>2010</u> | <u>2009</u> |
|-----------------|-------------------|-------------------|
| Demand Deposits | \$ 728,013 | \$ 778,431 |
| Total Deposits | <u>\$ 728,013</u> | <u>\$ 778,431</u> |

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

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 are as follows:

2010 Budgeted vs. Actual Receipts

| Fund Type: | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-------------------|
| General Fund | \$ 180,987 | \$ 170,917 | \$ (10,070) |
| Special Revenue | 133,198 | 107,349 | (25,849) |
| Enterprise | 357,804 | 500,576 | 142,772 |
| Total | <u>\$ 671,989</u> | <u>\$ 778,842</u> | <u>\$ 106,853</u> |

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type: | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-------------------|
| General Fund | \$ 200,050 | \$ 176,977 | \$ 23,073 |
| Special Revenue | 200,550 | 121,733 | 78,817 |
| Enterprise | 724,674 | 570,796 | 153,878 |
| Total | <u>\$ 1,125,274</u> | <u>\$ 869,506</u> | <u>\$ 255,768</u> |

2009 Budgeted vs. Actual Receipts

| Fund Type: | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------------|
| General Fund | \$ 169,610 | \$ 183,173 | \$ 13,563 |
| Special Revenue | 105,015 | 137,331 | 32,316 |
| Enterprise | 308,323 | 273,658 | (34,665) |
| Total | <u>\$ 582,948</u> | <u>\$ 594,162</u> | <u>\$ 11,214</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type: | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-------------------|
| General Fund | \$ 200,650 | \$ 163,754 | \$ 36,896 |
| Special Revenue | 200,550 | 128,983 | 71,567 |
| Enterprise | 714,677 | 343,239 | 371,438 |
| Total | <u>\$ 1,115,877</u> | <u>\$ 635,976</u> | <u>\$ 479,901</u> |

4. Noncompliance

Contrary to Ohio Revised Code Section 5705.39, in 2010 and 2009 the Village had appropriations that exceeded estimated resources in 2 funds and 3 funds, respectively.

Contrary to Ohio Revised Code Section 5705.41(B), in 2010 and 2009 the Village had budgetary expenditures that exceeded appropriations in 3 funds.

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

5. Property Tax

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

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

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.

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.

7. Debt

Debt outstanding at December 31, 2010 was as follows:

| | Principal | Interest Rate |
|-----------------------------------|------------|----------------|
| Refunding and Improvement Bonds | \$ 270,000 | 4.5% to 6.875% |
| Ohio Public Works Commission Loan | 85,000 | 0.00% |
| Total | \$ 355,000 | |

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% to 6.875%.

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.

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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

| Year Ending December 31: | Refunding and Improvement Bonds | Ohio Public Works Commission |
|-----------------------------|---------------------------------------|------------------------------------|
| 2011 | \$ 28,563 | \$ 10,000 |
| 2012 | 32,875 | 10,000 |
| 2013 | 31,844 | 10,000 |
| 2014 | 30,813 | 10,000 |
| 2015 | 29,781 | 10,000 |
| 2016-2020 | 151,375 | 35,000 |
| 2021-2025 | 123,562 | - |
| Total | <u>\$ 428,813</u> | <u>\$ 85,000</u> |

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, 2010 and 2009, the custodian held \$12,066 and \$14,829 in Village assets, respectively. The accompanying financial statements do not include these assets or the related receipts and disbursements.

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. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, 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, 2010.

10. Risk Management – Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF FELICITY
CLERMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members’ equity at December 31, 2010 and 2009, and include amounts for both OPRM and OPHC:

| | 2010 | | 2009 | |
|-----------------|---------------------|-------------------|---------------------|-------------------|
| | OPRM | OPHC | OPRM | OPHC |
| Assets | \$ 12,036,541 | \$ 1,355,131 | \$ 11,176,186 | \$ 1,358,802 |
| Liabilities | (4,845,056) | (1,055,096) | (4,852,485) | (1,253,617) |
| Members' Equity | <u>\$ 7,191,485</u> | <u>\$ 300,035</u> | <u>\$ 6,323,701</u> | <u>\$ 105,185</u> |

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website www.ohioplan.org.

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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

12. Restatement of Prior Year Cash Balances

The Village's cash balances at December 31, 2008 have been restated to account for cash held in two bank accounts that were not included in the previously issued December 31, 2008 financial statements.

A summary of the restatement is as follows:

| | General Fund | Special Revenue Funds | Enterprise Funds |
|---|------------------|-----------------------------|---------------------|
| Cash at December 31, 2008 (As Originally Issued) | \$ 82,880 | \$ 85,065 | \$ 596,878 |
| Adjustment for Cash Not Recorded in Previously Issued Financial Statements | 2,812 | 2,811 | 21,565 |
| Cash at December 31, 2008 (Restated) | <u>\$ 85,692</u> | <u>\$ 87,876</u> | <u>\$ 618,443</u> |

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With *Government Auditing
Standards***

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

To Village Council:

We have audited the financial statements of the Village of Felicity, Clermont County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 6, 2012, in which it is noted that the Village prepared its financial statements on a basis of accounting prescribed or permitted by the Ohio Auditor of State, which is a basis other than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2010-001 through 2010-003 to be material weaknesses.

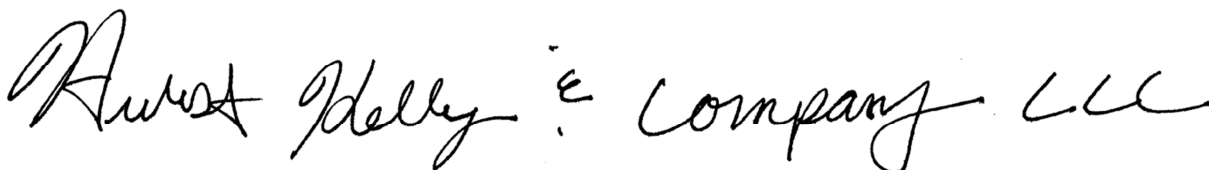
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-004 through 2010-007.

We noted certain matters that we reported to management of the Village in a separate letter dated September 6, 2012.

The Village's responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Council, others within the entity, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Robert Kelly & Company LLC". The signature is written in a cursive, flowing style.

Mason, Ohio
September 6, 2012

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001 – MATERIAL WEAKNESS – MATERIAL AUDIT ADJUSTMENTS INCLUDING RESTATEMENT OF OPENING CASH BALANCES

Criteria:

The Village's financial statements and supporting accounting records, as prepared and maintained by management, should present all activities for which the Village is financially accountable.

Condition:

The following schedule details material audit adjustments, including a prior period adjustment of cash at December 31, 2008, that were posted to the Village's financial statements as a result of audit procedures performed in connection with the Village's December 31, 2010 and 2009 audits:

| 2009 | | | |
|-------------|----------------------|-----------------------------------|-------------------------|
| Item | Fund | Account | Debit / (Credit) |
| (A) | General Fund | Cash, Beginning of Year | (2,812) |
| (A) | General Fund | Cash, End of Year | 3,350 |
| (A) | General Fund | Income Tax Receipts | (538) |
| (A) | Income Tax Fund | Cash, Beginning of Year | (1,011) |
| (A) | Income Tax Fund | Cash, End of Year | 1,206 |
| (A) | Income Tax Fund | Income Tax Receipts | (195) |
| (A) | Police Fund | Cash, Beginning of Year | (1,800) |
| (A) | Police Fund | Cash, End of Year | 2,144 |
| (A) | Police Fund | Income Tax Receipts | (344) |
| (B) | Street Fund | Cash, End of Year | 20,000 |
| (B) | Street Fund | Miscellaneous Receipts | (20,000) |
| (B) | Capital Project Fund | Cash, End of Year | (20,000) |
| (B) | Capital Project Fund | Miscellaneous Receipts | 20,000 |
| (C) | Water Fund | Cash, Beginning of Year | (21,565) |
| (C) | Water Fund | Cash, End of Year | 21,542 |
| (C) | Water Fund | Charges for Services | 23 |
| (D) | Water Fund | Interest Expense | 19,665 |
| (D) | Water Fund | Debt Principal | (19,665) |
| (E) | Agency Fund | Cash, End of Year | (98) |
| (E) | Agency Fund | Other Non-Operating Receipts | (18,246) |
| (E) | Agency Fund | Other Non-Operating Disbursements | 18,344 |

2010

| Item | Fund | Account | Debit / (Credit) |
|------|------------------------|-----------------------------------|------------------|
| (A) | General Fund | Cash, Beginning of Year | (3,350) |
| (A) | General Fund | Cash, End of Year | 3,292 |
| (A) | General Fund | Income Tax Receipts | 58 |
| (A) | Income Tax Fund | Cash, Beginning of Year | (1,206) |
| (A) | Income Tax Fund | Cash, End of Year | 1,185 |
| (A) | Income Tax Fund | Income Tax Receipts | 21 |
| (A) | Police Fund | Cash, Beginning of Year | (2,144) |
| (A) | Police Fund | Cash, End of Year | 2,107 |
| (A) | Police Fund | Income Tax Receipts | 37 |
| (B) | Street Fund | Cash, Beginning of Year | (20,000) |
| (B) | Street Fund | Cash, End of Year | 20,000 |
| (B) | Capital Project Fund | Cash, Beginning of Year | 20,000 |
| (B) | Capital Project Fund | Cash, End of Year | (20,000) |
| (C) | Water Fund | Cash, Beginning of Year | (21,542) |
| (C) | Water Fund | Cash, End of Year | 21,055 |
| (C) | Water Fund | Charges for Services | 487 |
| (D) | Water Fund | Interest Expense | 16,487 |
| (D) | Water Fund | Debt Principal | (16,487) |
| (E) | Agency Fund | Cash, Beginning of Year | 98 |
| (E) | Agency Fund | Cash, End of Year | 477 |
| (E) | Agency Fund | Other Non-Operating Receipts | (15,206) |
| (E) | Agency Fund | Other Non-Operating Disbursements | 14,631 |
| (F) | Water Improvement Fund | Capital Outlay | 218,262 |
| (F) | Water Improvement Fund | Intergovernmental Receipts | (218,262) |

- (A) To record cash held in a bank account (the bank account was designated for income tax receipts) that was not recorded in the Village's ledger at December 31, 2008, 2009 and 2010.
- (B) To record the receipt of a refund of prior year project expenses into the fund in which it was originally disbursed from.
- (C) To record cash held in a bank account (the bank account was designated for utility receipts) that was not recorded in the Village's ledger at December 31, 2008, 2009 and 2010.
- (D) To reclassify the interest expense portion of the debt service payments made in 2009 and 2010.
- (E) To record the 2009 and 2010 activity of the Mayor's Court in the Village's ledger.
- (F) To record activity related to an Ohio Public Works Commission water system project.

Cause:

Material misstatements to the Village's 2010 and 2009 financial statements were not prevented or detected and corrected by the Village's system of internal control.

Effect:

The Village's December 31, 2010 and 2009 financial statements, as originally prepared by management, contained material misstatements.

Recommendation:

The Village should record all transactions and activities for which the Village is financially accountable.

View of Responsible Officials and Planned Corrective Actions:

Management concurs with the finding and recommendation.

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-002 – MATERIAL WEAKNESS – INADEQUATELY IMPLEMENTED SYSTEM OF ACCOUNTING

Criteria:

An adequately implemented system of accounting includes accounting software for which users are adequately trained and for which accounting data can be timely, accurately and efficiently processed and summarized for use by management.

Condition:

The Village's system of accounting, as currently implemented, does not provide management with timely and accurate financial data from which well-informed decisions can be based.

Cause:

The system of accounting is not adequately implemented.

Effect:

Timely and accurate financial information (including cash balances by fund, aggregate outstanding encumbrances by fund and remaining appropriations available for expenditure by fund) is not consistently available to management. Thus management does not consistently have adequate financial information available from which well-informed decision can be based.

Additionally, extra staff effort is being consumed in performing manual summaries and reconciliations of accounting system reports that would not be necessary in an adequately functioning accounting environment. Furthermore, manual summaries and reconciliations allow for the increased potential for errors, omissions and fraud to occur and not be prevented or identified and corrected in a reasonable period of time.

Further, significant delays in performing the audit resulted from the substantial manual reconciliation that had to be performed by management in order to ready the ledger and related accounting records for audit.

Recommendation:

Management should reevaluate the implementation of the current system of accounting. Additionally, and as part of the reevaluation, employees should receive additional training on the system of accounting and additional resources should be procured from the software vendor (such as more recent software releases, training manuals, additional tailoring of the accounting system's interfaces, reports, etc. to better meet the needs of the Village).

Furthermore, as part of the reevaluation process, management should consider if the current system of accounting is best suited to meet the current and future needs of the Village.

View of Responsible Officials and Planned Corrective Actions:

Management concurs with the finding and recommendation.

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-003 – MATERIAL WEAKNESS – BANK RECONCILIATION ACCURACY AND SUPERVISORY REVIEW

Criteria:

A component of effective internal control over cash is the accurate, timely and formally documented and reviewed reconciliation of the balances of cash per the Village's financial records to the balances of cash reported by external financial institutions.

Condition:

Material audit adjustments were posted to Village's financial statements that impacted the balances of cash at December 31, 2008, 2009 and 2010, as detailed in Finding 2010-001 items (A) and (C). As such, the Village's bank reconciliations as prepared during 2009 and 2010 were in error and there was no evidence of a supervisory review of such bank reconciliations.

Cause:

Although monthly bank reconciliations were prepared for each month, the reconciliations were not prepared accurately to include all of the Village's bank account balances. Additionally, the bank reconciliations are not being subject to a supervisory review by other Village personnel or officials.

Effect:

Complete, accurate and timely reconciliations of the Village's cash accounts are an essential component of effective internal control over cash. The absence of a supervisory review of the bank reconciliation and the erroneous exclusion of certain Village bank account balances from the bank reconciliation could result in error, omission, noncompliance with legal and regulatory compliance requirements, or misappropriation of the Village's resources that would not be detected in a timely manner.

Accordingly, material audit adjustments were posted to Village's financial statements that impacted the balances of cash at December 31, 2008, 2009 and 2010 as described in Finding 2010-001.

Recommendation:

The Village should accurately reconcile the balances of cash by including in the bank reconciliation all of the Village's bank account balances. Further, an employee or official (that is separate from the Fiscal Office) should formally review the bank reconciliation for completeness and accuracy and such review should indicate, at a minimum, the name of the person that performed the review and the date that such review was performed.

View of Responsible Officials and Planned Corrective Actions:

Management concurs with the finding and recommendation.

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-004 – NONCOMPLIANCE – APPROPRIATIONS IN EXCESS OF AMOUNTS CERTIFIED AS AVAILABLE FOR EXPENDITURE

Criteria:

Ohio Revised Code Section 5705.39 provides that appropriations for each fund shall not exceed the estimated revenue available for expenditure as certified by the budget commission.

Condition:

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

| 2010 | | | |
|---------------------|---------------------|----------------|-------------|
| Fund | Estimated Resources | Appropriations | Variance |
| Street Fund | \$ 26,074 | \$ 106,900 | \$ (80,826) |
| Veteran's Walk Fund | 1,870 | 2,000 | (130) |

| 2009 | | | |
|---------------------------|---------------------|----------------|-------------|
| Fund | Estimated Resources | Appropriations | Variance |
| Street Fund | \$ 40,616 | \$ 106,900 | \$ (66,284) |
| Veteran's Walk Fund | 1,870 | 2,000 | (130) |
| Drug Law Enforcement Fund | 176 | 1,500 | (1,324) |

Cause:

The Village appropriated amounts in excess of the estimated resources available for expenditure as certified by the budget commission.

Effect:

Allowing appropriations to exceed amounts certified as available for expenditure can result in overspending and deficit fund balances and is noncompliant with Section 5705.39 of the Ohio Revised Code.

Recommendation:

The Village should routinely compare appropriations to the estimated resources available for expenditure as certified by the budget commission for each fund to ensure compliance with the requirements of Ohio Revised Code Section 5705.39.

View of Responsible Officials and Planned Corrective Actions:

Management concurs with the finding and recommendation.

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-005 – NONCOMPLIANCE – EXPENDITURES IN EXCESS OF APPROPRIATIONS

Criteria:

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Condition:

The Village had expenditures in excess of appropriations in the following funds:

| 2010 | | | | |
|-------------------------------|---------------|----------------|-------------|--|
| Budgetary | | | | |
| Fund Name | Disbursements | Appropriations | Variance | |
| Income Tax Fund | \$ 18,271 | \$ - | \$ (18,271) | |
| Mayor's Computer Fund | 1,868 | - | (1,868) | |
| Clerk of Courts Computer Fund | 368 | - | (368) | |

| 2009 | | | | |
|-------------------------------|---------------|----------------|-------------|--|
| Budgetary | | | | |
| Fund Name | Disbursements | Appropriations | Variance | |
| Income Tax Fund | \$ 16,929 | \$ - | \$ (16,929) | |
| Mayor's Computer Fund | 1,217 | - | (1,217) | |
| Clerk of Courts Computer Fund | 883 | - | (883) | |

Cause:

The Village expended funds in excess of appropriations.

Effect:

Expenditures in excess of appropriations can result in overspending and deficit fund balances and is noncompliant with Section 5705.41(B) of the Ohio Revised Code.

Recommendation:

The Village should routinely compare actual expenditures to current appropriations and request supplemental appropriations from Council when needed.

View of Responsible Officials and Planned Corrective Actions:

Management concurs with the finding and recommendation.

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-006 – NONCOMPLIANCE – FAILURE TO COMPLY WITH INDENTURE OF MORTGAGE RELATED TO ENTERPRISE DEBT

Criteria:

The Village's outstanding Refunding and Improvement Bonds (enterprise debt) is subject to various debt compliance requirements that are contained in the Indenture of Mortgage dated August 1, 1994. More specifically, the Village is required to submit annual reports of system operation to the bond trustee by June 30th of each year and the Village must realize net income available for debt service of at least 120% of the following year's principal and interest 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.

Condition:

The Village is not in compliance with all the debt compliance requirements set forth in the Indenture of Mortgage dated August 1, 1994 as the Village is not submitting annual reports of system operation to the bond trustee by June 30th of each year and the Village's net income available for debt service is short of the amount required in the indenture.

Cause:

Because of the effects of the Material Weakness described in Finding 2010-002, the Village was unable to generate comprehensive annual reports of operation to submit to the trustee by June 30th. Additionally, insufficient revenues and or excess expenditures resulted in net income available for debt service that was short of the required amount in 2009 and 2010.

Effect:

The Village is not in compliance with all the debt compliance requirements that are contained in the Indenture of Mortgage dated August 1, 1994.

Recommendation:

The Village should make the recommendations contained in Finding 2010-002 so that annual reports of system operation are available in a timely manner and can be submitted to the bond trustee by June 30th of each year. Further, the Village should make the necessary adjustments to rates and expenditures such that net income available for debt service is at the level required in the indenture.

View of Responsible Officials and Planned Corrective Actions:

Management concurs with the finding and recommendation.

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-007 – NONCOMPLIANCE – FAILURE TO SUBMIT ANNUAL REPORT TO OHIO AUDITOR OF STATE

Criteria:

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

Condition:

The Village has not filed the 2010 and 2009 annual reports with the Auditor of State as required by Ohio Revised Code Section 117.38.

Cause:

Because of the effects of the Material Weakness described in Finding 2010-002, the Village was unable to generate annual reports to submit to the Auditor of State within 60 days of the fiscal year end.

Effect:

The Village is noncompliant with Section 117.38 of the Ohio Revised Code and may be fined by the Auditor of State.

Recommendation:

The Village should make the recommendations contained in Finding 2010-002 so that annual reports are available in a timely manner and can be submitted to the Auditor of State within 60 days of the fiscal year end.

View of Responsible Officials and Planned Corrective Actions:

Management concurs with the finding and recommendation.

**VILLAGE OF FELICITY,
CLERMONT COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2007/2008-001 | Noncompliance with debt covenants | No | Repeated in connection with finding 2010-006. |
| 2007/2008-002 | Inadequate accounting system and related records | No | Repeated in connection with finding 2010-002. |

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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
JANUARY 22, 2013