



**VILLAGE OF FELICITY
CLERMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

VILLAGE OF FELICITY
CLERMONT COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Felicity, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2000 and 1999, 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 October 24, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, council members and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 24, 2001

VILLAGE OF FELICITY
CLERMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Cash Receipts: | | | | | | |
| Property Tax and Other Local Taxes | \$34,868 | \$66,562 | | | \$13,802 | \$115,232 |
| Intergovernmental Receipts | 109,514 | 31,520 | | 4,950 | | 145,984 |
| Charges for Services | 175 | | | | | 175 |
| Fines, Licenses, and Permits | 20,171 | 1,475 | | | | 21,646 |
| Earnings on Investments | 20,466 | | | | | 20,466 |
| Miscellaneous | 1,113 | 21,015 | | | | 22,128 |
| Total Cash Receipts | 186,307 | 120,572 | | 4,950 | 13,802 | 325,631 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 67,799 | 38,907 | | | | 106,706 |
| Public Health Services | 1,241 | | | | | 1,241 |
| Leisure Time Activities | 264 | | | | | 264 |
| Community Environment | | | | | 4,168 | 4,168 |
| Basic Utility Services | | | | | 3,040 | 3,040 |
| Transportation | 20,166 | 30,470 | | | | 50,636 |
| General Government | 53,688 | 202 | | | 6,978 | 60,868 |
| Capital Outlay | 45,689 | 13,059 | | 14,098 | 99 | 72,945 |
| Total Cash Disbursements | 188,847 | 82,638 | | 14,098 | 14,285 | 299,868 |
| Total Receipts Over/(Under) Disbursements | (2,540) | 37,934 | | (9,148) | (483) | 25,763 |
| Other Financing Receipts/(Disbursements): | | | | | | |
| Transfers-In | 225 | | | | | 225 |
| Transfers-Out | | | (225) | | | (225) |
| Total Other Financing Receipts/(Disbursements) | 225 | | (225) | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (2,315) | 37,934 | (225) | (9,148) | (483) | 25,763 |
| Fund Cash Balances January 1 | 116,504 | 73,483 | 225 | 9,148 | 8,404 | 207,764 |
| Fund Cash Balances, December 31 | \$114,189 | \$111,417 | | | \$7,921 | \$233,527 |
| Reserves for Encumbrances, December 31 | \$29,232 | \$5,468 | | | \$1,020 | \$35,720 |

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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Proprietary Fund Types</u> | <u>Fiduciary Fund Types</u> | <u>Totals (Memorandum Only)</u> |
|--|-----------------------------------|---------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$274,681 | | \$274,681 |
| Miscellaneous | 2,720 | | 2,720 |
| Total Operating Cash Receipts | <u>277,401</u> | | <u>277,401</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 54,582 | | 54,582 |
| Contractual Services | 49,127 | | 49,127 |
| Supplies and Materials | 14,312 | | 14,312 |
| Capital Outlay | 163,472 | | 163,472 |
| Total Operating Cash Disbursements | <u>281,493</u> | | <u>281,493</u> |
| Operating Income/(Loss) | <u>(4,092)</u> | | <u>(4,092)</u> |
| Non-Operating Cash Receipts: | | | |
| Other Non-Operating Receipts | | 25,622 | 25,622 |
| Total Non-Operating Cash Receipts | <u>0</u> | <u>25,622</u> | <u>25,622</u> |
| Non-Operating Cash Disbursements: | | | |
| Debt Service: | | | |
| Principal Payments | 15,000 | | 15,000 |
| Interest Payments | 21,783 | | 21,783 |
| Other Non-Operating Cash Disbursements | | 25,366 | 25,366 |
| Total Non-Operating Cash Disbursements | <u>36,783</u> | <u>25,366</u> | <u>62,149</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (40,875) | 256 | (40,619) |
| Transfers-In | 41,043 | | 41,043 |
| Transfers-Out | <u>(41,043)</u> | | <u>(41,043)</u> |
| Net Receipts Over/(Under) Disbursements | (40,875) | 256 | (40,619) |
| Fund Cash Balances, January 1 | <u>468,611</u> | <u>1,519</u> | <u>470,130</u> |
| Fund Cash Balances, December 31 | <u>\$427,736</u> | <u>\$1,775</u> | <u>\$429,511</u> |
| Reserve for Encumbrances, December 31 | <u>\$37,301</u> | | <u>\$37,301</u> |

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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|---|-------------------------|------------------------|---------------------|-----------------------|------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Cash Receipts: | | | | | | |
| Property Tax and Other Local Taxes | \$21,557 | \$62,677 | \$10,750 | | \$12,797 | \$107,781 |
| Intergovernmental Receipts | 110,579 | 18,312 | | 309,408 | | 438,299 |
| Charges for Services | 2,400 | | | | | 2,400 |
| Fines, Licenses, and Permits | 16,166 | 1,665 | | | | 17,831 |
| Earnings on Investments | 24,376 | | | | | 24,376 |
| Miscellaneous | | 1,000 | | | | 1,000 |
| Total Cash Receipts | <u>175,078</u> | <u>83,654</u> | <u>10,750</u> | <u>309,408</u> | <u>12,797</u> | <u>591,687</u> |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 72,715 | 31,961 | | | | 104,676 |
| Public Health Services | 1,255 | | | | | 1,255 |
| Leisure Time Activities | 493 | | | | | 493 |
| Community Environment | | | | | 4,158 | 4,158 |
| Basic Utility Services | | | | | 2,736 | 2,736 |
| Transportation | 17,814 | 28,419 | | | | 46,233 |
| General Government | 53,966 | | | | 7,540 | 61,506 |
| Debt Service: | | | | | | |
| Principal Payments | 2,665 | | 10,000 | | | 12,665 |
| Interest Payments | 181 | | 637 | | | 818 |
| Capital Outlay | 62,142 | 157 | | 300,260 | 500 | 363,059 |
| Total Cash Disbursements | <u>211,231</u> | <u>60,537</u> | <u>10,637</u> | <u>300,260</u> | <u>14,934</u> | <u>597,599</u> |
| Total Receipts Over/(Under) Disbursements | (36,153) | 23,117 | 113 | 9,148 | (2,137) | (5,912) |
| Fund Cash Balances January 1 | <u>152,657</u> | <u>50,366</u> | <u>112</u> | | <u>10,541</u> | <u>213,676</u> |
| Fund Cash Balances, December 31 | <u>\$116,504</u> | <u>\$73,483</u> | <u>\$225</u> | <u>\$9,148</u> | <u>\$8,404</u> | <u>\$207,764</u> |
| Reserves for Encumbrances, December 31 | <u>\$26,497</u> | <u>\$11,636</u> | | <u>\$9,148</u> | <u>\$1,050</u> | <u>\$48,331</u> |

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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$289,348 | | \$289,348 |
| Miscellaneous | 4,382 | | 4,382 |
| Total Operating Cash Receipts | <u>293,730</u> | | <u>293,730</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 55,674 | | 55,674 |
| Contractual Services | 50,908 | | 50,908 |
| Supplies and Materials | 18,190 | | 18,190 |
| Capital Outlay | 176,426 | | 176,426 |
| Total Operating Cash Disbursements | <u>301,198</u> | | <u>301,198</u> |
| Operating Income/(Loss) | <u>(7,468)</u> | | <u>(7,468)</u> |
| Non-Operating Cash Receipts: | | | |
| Other Non-Operating Receipts | | 20,450 | 20,450 |
| Total Non-Operating Cash Receipts | | <u>20,450</u> | <u>20,450</u> |
| Non-Operating Cash Disbursements: | | | |
| Debt Service: | | | |
| Principal Payments | 10,000 | | 10,000 |
| Interest Payments | 21,983 | | 21,983 |
| Other Non-Operating Cash Disbursements | | 22,189 | 22,189 |
| Total Non-Operating Cash Disbursements | <u>31,983</u> | <u>22,189</u> | <u>54,172</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (39,451) | (1,739) | (41,190) |
| Transfers-In | 33,728 | | 33,728 |
| Transfers-Out | <u>(33,728)</u> | | <u>(33,728)</u> |
| Net Receipts Over/(Under) Disbursements | (39,451) | (1,739) | (41,190) |
| Fund Cash Balances, January 1 | <u>530,416</u> | <u>3,258</u> | <u>533,674</u> |
| Fund Cash Balances, December 31 | <u>\$490,965</u> | <u>\$1,519</u> | <u>\$492,484</u> |
| Reserve for Encumbrances, December 31 | <u>\$130,540</u> | | <u>\$130,540</u> |

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

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Felicity, Clermont County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

U.S. Treasury Notes and the money market account are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from 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 Levy Fund - This fund receives tax monies to fund the police department.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

General Obligation Fund (Service Building Bond) - This fund is used to make payments on a debt issued to construct a municipal service building.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II/ Walnut Street Fund - This fund received Issue II funding from the Ohio Public Works Commission. The funding is for the Feeder Main modification project. This fund accounts for all fees and costs associated with the replacement of an 8 inch water main.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement does not require the Village to maintain the corpus of the trust, the fund is classified as a expendable trust fund. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Income Tax Fund - This expendable trust fund receives Village income tax money for current operating expenses.

Mayor's Court Fund - This agency fund receives mayor's court fines, fees, and costs collected for state and local distribution.

E. Budgetary Process

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

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2000</u> | <u>1999</u> |
|--------------------------------|-------------------|-------------------|
| Demand Deposits | \$ 368,876 | \$ 414,197 |
| Savings Account | <u>260,695</u> | <u>250,496</u> |
| Total deposits | <u>629,571</u> | <u>664,693</u> |
| Treasury Notes | 32,210 | 32,210 |
| Money Market Account | <u>1,257</u> | <u>3,345</u> |
| Total investments | <u>33,467</u> | <u>35,555</u> |
| Total deposits and investments | <u>\$ 663,038</u> | <u>\$ 700,248</u> |

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

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Money Market Account funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 follows:

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 183,271 | \$ 186,532 | \$ 3,261 |
| Special Revenue | 120,572 | 120,572 | 0 |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 4,950 | 4,950 | 0 |
| Enterprise | 299,926 | 318,444 | 18,518 |
| Fiduciary | <u>13,802</u> | <u>13,802</u> | <u>0</u> |
| Total | <u>\$ 622,521</u> | <u>\$ 644,300</u> | <u>\$ 21,779</u> |

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 289,032 | \$ 218,079 | \$ 70,953 |
| Special Revenue | 171,132 | 88,106 | 83,026 |
| Debt Service | 225 | 225 | 0 |
| Capital Projects | 14,098 | 14,098 | 0 |
| Enterprise | 742,123 | 396,620 | 345,503 |
| Fiduciary | 19,300 | 15,305 | 3,995 |
| Total | <u>\$ 1,235,910</u> | <u>\$ 732,433</u> | <u>\$ 503,477</u> |

| 1999 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 171,728 | \$ 175,078 | \$ 3,350 |
| Special Revenue | 82,654 | 83,654 | 1,000 |
| Debt Service | 10,750 | 10,750 | 0 |
| Capital Projects | 309,408 | 309,408 | 0 |
| Enterprise | 303,241 | 327,458 | 24,217 |
| Fiduciary | 12,797 | 12,797 | 0 |
| Total | <u>\$ 890,578</u> | <u>\$ 919,145</u> | <u>\$ 28,567</u> |

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 316,689 | \$ 237,728 | \$ 78,961 |
| Special Revenue | 117,092 | 72,173 | 44,919 |
| Debt Service | 10,863 | 10,637 | 226 |
| Capital Projects | 309,408 | 309,408 | 0 |
| Enterprise | 779,081 | 497,449 | 281,632 |
| Fiduciary | 16,508 | 15,984 | 524 |
| Total | <u>\$ 1,549,641</u> | <u>\$ 1,143,379</u> | <u>\$ 406,262</u> |

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

| | Principal | Interest Rate |
|---|------------|------------------|
| Water System 1 st Mortgage Revenue Refunding and Improvement Bonds | \$ 355,000 | 4.5 - 6.875% |
| Ohio Public Works Commission Loan | 185,000 | 0% |
| Total | \$ 540,000 | |

The Water System 1st Mortgage Revenue Refunding and Improvement Bonds, Series 1994, relates to the improvement of the Village's owned water system. The 1994 issue dated August 1, 1994, bears an interest rate of 4.5% to 6.875% and matures August 1, 2024. This series 1994 Bond combines two other outstanding Water System Revenue Bonds issued in 1980 and 1994.

The Ohio Public Works Commission Loan relates to water system improvements for the Village. The original loan amount was \$200,000, dated August 1, 1998, bears a 0% interest rate, and matures on January and July 1 of each year until final maturity on July 2019.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

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

| Year ending December 31: | Mortgage Revenue Bonds | OPWC Loan |
|-----------------------------|------------------------------|--------------|
| 2001 | \$ 28,970 | 5,000 |
| 2002 | 28,675 | 10,000 |
| 2003 | 28,375 | 10,000 |
| 2004 | 33,070 | 10,000 |
| 2005 | 32,450 | 10,000 |
| 2006 | 31,820 | 10,000 |
| Subsequent | 549,693 | 130,000 |
| Total | \$ 733,053 | \$ 185,000 |

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village also provides health insurance to full-time employees through a private carrier.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. PRIOR PERIOD ADVANCE

Advances are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment. The Water Fund advanced forty-two thousand dollars (\$42,000) to the Utility Improvement Fund during a prior period. However, the Utility Improvement Fund has not repaid this amount.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the Council:

We have audited the financial statements of the Village of Felicity, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated October 24, 2001. We conducted our audit 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.

Compliance

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 grants, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item numbers 2000-30413-001 and 2000-30413-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated October 24, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-30413-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the management and council members and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 24, 2001

VILLAGE OF FELICITY
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30413-001

Material Noncompliance/Reportable Condition - Certification of Purchase Orders

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides for the following exceptions to this requirement:

- A. Then and Now Certificates - If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds were free from a previous encumbrance, both at the time the contract or order was entered into and at the time of the certificate. The council may then authorize the fiscal office to issue a warrant in payment of the amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; or
- B. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

The Village ordered and received goods and/or services without first obtaining the certificate of the Treasurer and did not meet the requirements for exceptions to the certificate requirements. As a result, the Village improperly encumbered thirteen percent (13%) of the transactions that we reviewed. Failure to properly certify the availability of funds can result in overspending and negative cash balances.

Therefore, we recommend the Village properly utilize the encumbrance method of accounting by certifying the availability of funds. The Village should obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDING NUMBER 2000-30413-002

Material Noncompliance - 1994 Water System First Mortgage Revenue Bonds

Village of Felicity Ordinance Number 158-94 states that the Village covenants that it will prescribe and charge such rates for the services of the System, and will so restrict Operating and Maintenance Expenses of the System, as shall result in Net Income Available for Debt Service at least equal to one hundred twenty percent (120%) of the maximum amount of principal and interest debt service requirements necessary in any succeeding year to meet interest and principal maturities of all Bonds secured by revenues of the System plus one hundred percent (100%) of the maximum amount of principal and interest necessary to be paid in any succeeding year on all Bonds and general obligations bonds and notes and other obligations of the Village that are also expected to be paid from revenues of the System, if any.

The Village has not increased rates since adopting this ordinance on August 9, 1994. As a result, the variance between Net Income Available for Debt Service and the maximum amount of principal and interest in any succeeding year for fiscal years 2000 and 1999 were \$64,466 and \$73,832 respectively.

Therefore, we recommend the Village closely monitor the System's cash flows to determine where it can decrease operating expenses, when and to what extent it should increase rates, the extent, if any, to which it should pursue delinquent accounts, and when principal and interest bond payments are due. Such action is necessary if the Village is to continue to meet its debt obligations.



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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
NOVEMBER 8, 2001**