



**VILLAGE OF FELICITY
CLERMONT COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

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KEITH FABER



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Village Council
Village of Felicity
P.O. Box 613
Felicity, Ohio 45120

We have reviewed the *Independent Auditor's Report* of the Village of Felicity, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 26, 2019

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VILLAGE OF FELICITY
CLERMONT COUNTY

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INDEPENDENT AUDITOR'S REPORT

August 7, 2019

Village of Felicity
Clermont County
PO Box 613
Felicity, OH 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, 2018 and 2017.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or changes in financial position or cash flows 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, 2018 and 2017, and 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 August 7, 2019, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF FELICITY
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, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 25,574	\$ 31,940	\$ 57,514
Municipal Income Tax	89,143	30,815	119,958
Intergovernmental	50,185	26,193	76,378
Charges for Services	37	-	37
Fines, Licenses and Permits	15,277	1,145	16,422
Earnings on Investments	1,434	81	1,515
	<u>181,650</u>	<u>90,174</u>	<u>271,824</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	64,365	39,052	103,417
Leisure Time Activities	119	-	119
Community Environment	9,337	-	9,337
Basic Utility Services	2,000	-	2,000
Transportation	19,287	50,645	69,932
General Government	47,963	277	48,240
	<u>143,071</u>	<u>89,974</u>	<u>233,045</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>			
	<u>38,579</u>	<u>200</u>	<u>38,779</u>
Other Financing Receipts			
Sale of Capital Assets	1,488	-	1,488
Other Financing Sources	3,224	-	3,224
	<u>4,712</u>	<u>-</u>	<u>4,712</u>
<i>Total Other Financing Receipts</i>			
<i>Net Change in Fund Cash Balances</i>			
	<u>43,291</u>	<u>200</u>	<u>43,491</u>
<i>Fund Cash Balances, January 1</i>			
	<u>3,706</u>	<u>84,712</u>	<u>88,418</u>
Fund Cash Balances, December 31			
Restricted	-	84,912	84,912
Assigned	44,248	-	44,248
Unassigned	2,749	-	2,749
	<u>46,997</u>	<u>84,912</u>	<u>131,909</u>
<i>Fund Cash Balances, December 31</i>			
	<u>\$ 46,997</u>	<u>\$ 84,912</u>	<u>\$ 131,909</u>

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

VILLAGE OF FELICITY
CLERMONT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 332,670	\$ -	\$ 332,670
<i>Total Operating Cash Receipts</i>	<u>332,670</u>	<u>-</u>	<u>332,670</u>
Operating Cash Disbursements			
Personal Services	101,488	-	101,488
Employee Fringe Benefits	13,998	-	13,998
Contractual Services	110,130	-	110,130
Supplies and Materials	34,775	-	34,775
<i>Total Operating Cash Disbursements</i>	<u>260,391</u>	<u>-</u>	<u>260,391</u>
<i>Operating Income</i>	<u>72,279</u>	<u>-</u>	<u>\$72,279</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(10,634)	-	(10,634)
Principal Retirement	(30,000)	-	(30,000)
Interest and Fiscal Charges	(11,153)	-	(11,153)
Other Financing Sources	7,620	6,668	14,288
Other Financing Uses	-	(7,048)	(7,048)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(44,167)</u>	<u>(380)</u>	<u>(44,547)</u>
<i>Income before Transfers</i>	<u>28,112</u>	<u>(380)</u>	<u>27,732</u>
Transfer-In	42,008	-	42,008
Transfer-Out	(42,008)	-	(42,008)
<i>Net Change in Fund Cash Balances</i>	28,112	(380)	27,732
<i>Fund Cash Balances, January 1</i>	<u>494,768</u>	<u>962</u>	<u>495,730</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 522,880</u>	<u>\$ 582</u>	<u>523,462</u>

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

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 utilities, park operations, and police services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Levy Fund This fund receives real estate tax levy monies and other resources to fund the 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 Funds:

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 the Village where our water lines are.

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 funds account for the collection and distribution of Mayor's Court fines and forfeitures.

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

A summary of 2018 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 175,073	\$ 186,362	\$ 11,289
Special Revenue	78,093	90,174	12,081
Enterprise	347,553	382,298	34,745
Total	\$ 600,719	\$ 658,834	\$ 58,115

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 177,910	\$ 153,109	\$ 24,801
Special Revenue	162,788	112,129	50,659
Enterprise	826,936	393,336	433,600
Total	\$ 1,167,634	\$ 658,574	\$ 509,060

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits

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

	2018
Demand deposits	<u>\$ 655,371</u>
Total deposits	<u><u>\$ 655,371</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or are collateralized by securities specifically pledged by the financial institution to the Village.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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, and Police Levy Fund as directed by a resolution adopted by Council.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 costs (if material).

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (Continued)

Commercial Insurance

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.

The Village has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2018.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Refunding Improvement Bonds	\$ 145,000	4.5%-6.875%
Ohio Public Works Commission Loan	<u>10,000</u>	0.00%
Total	<u><u>\$ 155,000</u></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 on August 1, 1998 and matures on July 1, 2019 and is not subject to interest.

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	Refunding and Improvements Bonds	Ohio Public Works Commission
2019	\$ 29,969	\$ 10,000
2020	28,594	-
2021	32,219	-
2022	30,500	-
2023	28,781	-
2024-2028	32,063	-
Total	\$ 182,126	\$ 10,000

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 24,301	\$ 32,382	\$ 56,683
Municipal Income Tax	77,494	28,801	106,295
Intergovernmental	41,675	24,447	66,122
Charges for Services	50	-	50
Fines, Licenses and Permits	17,611	546	18,157
Earnings on Investments	1,087	84	1,171
Miscellaneous	-	16	16
	<u>162,218</u>	<u>86,276</u>	<u>248,494</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	82,083	42,399	124,482
Leisure Time Activities	102	-	102
Community Environment	5,981	-	5,981
Basic Utility Services	2,000	-	2,000
Transportation	24,790	46,439	71,229
General Government	62,125	379	62,504
	<u>177,081</u>	<u>89,217</u>	<u>266,298</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>	<u>(14,863)</u>	<u>(2,941)</u>	<u>(17,804)</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	13,046	13,046
Transfers Out	(13,046)	-	(13,046)
Other Financing Sources	10,248	1,805	12,053
	<u>(2,798)</u>	<u>14,851</u>	<u>12,053</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	<u>(17,661)</u>	<u>11,910</u>	<u>(5,751)</u>
<i>Fund Cash Balances, January 1 (Restated, See note 12)</i>	<u>21,367</u>	<u>72,802</u>	<u>94,169</u>
Fund Cash Balances, December 31			
Restricted	-	85,467	85,467
Assigned	3,665	-	3,665
Unassigned	41	(755)	(714)
	<u>\$ 3,706</u>	<u>\$ 84,712</u>	<u>\$ 88,418</u>
<i>Fund Cash Balances, December 31</i>			

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

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 319,187	\$ -	\$ 319,187
<i>Total Operating Cash Receipts</i>	<u>319,187</u>	<u>-</u>	<u>\$319,187</u>
Operating Cash Disbursements			
Personal Services	131,745	-	131,745
Employee Fringe Benefits	16,677	-	16,677
Contractual Services	81,145	-	81,145
Supplies and Materials	36,343	-	36,343
<i>Total Operating Cash Disbursements</i>	<u>265,910</u>	<u>-</u>	<u>265,910</u>
<i>Operating Income</i>	<u>53,277</u>	<u>-</u>	<u>53,277</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	1,795	-	1,795
Capital Outlay	(53,941)	-	(53,941)
Principal Retirement	(30,000)	-	(30,000)
Interest and Fiscal Charges	(12,142)	-	(12,142)
Other Financing Sources	130	12,889	13,019
Other Financing Uses	-	(13,294)	(13,294)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(94,158)</u>	<u>(405)</u>	<u>(94,563)</u>
<i>(Loss) before Transfers</i>	<u>(40,881)</u>	<u>(405)</u>	<u>(41,286)</u>
Transfer-In	67,865	-	67,865
Transfer-Out	(67,865)	-	(67,865)
<i>Net Change in Fund Cash Balances</i>	<u>(40,881)</u>	<u>(405)</u>	<u>(41,286)</u>
<i>Fund Cash Balances, January 1 (Restated, See note 12)</i>	<u>535,649</u>	<u>1,367</u>	<u>537,016</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 494,768</u>	<u>\$ 962</u>	<u>\$ 495,730</u>

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

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 utilities, park operations, and police services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Levy Fund This fund receives real estate tax levy monies and other resources to fund the 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 Funds:

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 the Village where our water lines are.

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 funds account for the collection and distribution of Mayor's Court fines and forfeitures.

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

A summary of 2017 budgetary activity appears in Note 4.

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.

Capital Assets

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

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.

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Enterprise Debt Service funds by \$554 and \$787, respectively, for the year ended December 31, 2017. Also contrary to Ohio law, at December 31, 2017, the Police Levy fund had a cash deficit balance of \$755.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 186,727	\$ 172,466	\$ (14,261)
Special Revenue	85,287	101,127	15,840
Enterprise	378,015	388,977	10,962
Total	\$ 650,029	\$ 662,570	\$ 12,541

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 192,986	\$ 193,540	\$ (554)
Special Revenue	157,933	100,381	57,552
Enterprise	915,524	524,286	391,238
Total	\$ 1,266,443	\$ 818,207	\$ 448,236

Note 5 – 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:

	2017
Demand deposits	\$ 584,148
Total deposits and investments	\$ 584,148

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or are collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Taxes (Continued)

Income Taxes (Continued)

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

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 costs (if material).

Commercial Insurance

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.

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

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, 2017.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and 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, 2017.

Village of Felicity, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Refunding Improvement Bonds	\$ 165,000	4.5%-6.875%
Ohio Public Works Commission Loan	20,000	0.00%
Total	\$ 185,000	

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 on August 1, 1998 and matures on July 1, 2019 and is not subject to interest.

Amortization

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

Year Ending December 31:	Refunding and Improvements Bonds	Ohio Public Works Commission
2018	\$ 31,344	\$ 10,000
2019	29,969	10,000
2020	28,594	-
2021	32,219	-
2022	30,500	-
2023-2027	60,844	-
Total	\$ 213,470	\$ 20,000

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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, Ohio
Clermont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Prior Period Restatement

The following adjustments are reflected in the January 1, 2017 fund balances:

	General Fund	Enterprise Fund
December 31, 2016 audited balances	\$ 20,482	\$ 522,059
Adjustment to bring on bank account not previously recorded on the books	-	13,590
Adjust to correct previous audit adjustments not correctly recorded in the accounting system.	885	-
January 1, 2017 balances	\$ 21,367	\$ 535,649

The Village made adjustments to accurately report beginning fund balance.



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740.695.1569

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

August 7, 2019

Village of Felicity
Clermont County
PO Box 613
Felicity, OH 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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 7, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2018-001 through 2018-004 to be material weaknesses.

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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 audit findings as items 2018-002 and 2018-004.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF FELICITY
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness

Recording of Financial Activity

The Village should have controls and/or procedures in place to help prevent and detect errors in financial reporting. Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

During 2018 and 2017, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- In 2017, the beginning fund balance of the Special Revenue Income Tax Fund in the amount of \$0, receipts of \$15,773, and disbursements of \$16,617 was reported as a Special Revenue Fund. The Village's Income Tax is for general municipal operations and for the elimination of deficits in Village funds. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 30 (GASB Codification 1300.105) – Fund Balance Reporting and Governmental Fund Type Definitions, states 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. Since the funding source of the Income Tax Fund is unrestricted, the activity and balances should be included in the General Fund for financial reporting purposes.
- In 2018 and 2017, interest payments were misclassified as principal payments.
- General Fund Balance was recorded as Unassigned instead of Assigned for 2018 and 2017.
- In 2018 and 2017, state rollbacks were recorded as property and other local taxes instead of intergovernmental.
- In 2018, the beginning fund balance of the Special Revenue Income Tax Fund in the amount of \$(828), receipts of \$15,187, and disbursements of \$12,479 were reported as a Special Revenue Fund. The Village's Income Tax is for general municipal operations and for the elimination of deficits in Village funds. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 30 (GASB Codification 1300.105) – Fund Balance Reporting and Governmental Fund Type Definitions, states 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. Since the funding source of the Income Tax Fund is unrestricted, the activity and balances should be included in the General Fund for financial reporting purposes.
- The Village did not report the Mayor's Court receipts and disbursements in the 2018 and 2017 financial statements filed with the Auditor of State. For 2018, the Mayor's Court Agency Fund had Other Non-Operating receipts of \$6,668 and Other Non-Operating disbursements of \$7,048. For 2017, the Mayor's Court Agency Fund had Other Non-Operating receipts of \$12,889 and Other Non-Operating disbursements of \$13,294.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-001 (Continued)

Material Weakness (Continued)

Recording of Financial Activity (Continued)

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. The Village has posted all adjustments to its accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying funds and fund balances.

Management's Response – We did not receive a response to this finding.

FINDING NUMBER 2018-002

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations). Expenditures exceeded appropriations in the General and Enterprise Debt Service Fund by \$554 and \$787 in 2017.
- Violations of Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Village did not properly certify the availability of funds prior to purchase commitment for 14% of the expenditures tested for 2018 and for 13% of the expenditures tested for 2017.

VILLAGE OF FELICITY
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-002 (Continued)

Material Weakness/Noncompliance (Continued)

Budgetary Controls (Continued)

- 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 Police Levy Fund had a negative fund balance of \$755 in 2017.

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – We did not receive a response to this finding.

FINDING NUMBER 2018-003

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. The amount on the reconciliation provided included other adjusting factors due to incorrectly posting prior audit period fund balance adjustments. We also noted a bank account that was not included on the monthly reconciliations. We adjusted the accounting system and financial statements to include the omitted bank account. We were able to recreate bank reconciliations during the audit that agreed to the financial statements.

VILLAGE OF FELICITY
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-003 (Continued)

Material Weakness (Continued)

Bank Reconciliations (Continued)

We recommend the Fiscal Officer maintain accurate fund balances that are reconciled to the bank statements monthly. Copies of bank reconciliations should be presented to the Council for review, approval, and use in managing of the Village.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2018-004

Material Weakness/Noncompliance

Ohio Rev. Code § 5705.14(E) states money may be transferred from the general fund to any other fund of the subdivision. OAG Opinion 89-075 requires a governing board resolution passed by a simple majority of the board members to transfer funds.

During 2017, \$40,000 was transferred from the Water Operating Fund to the Enterprise Debt Service Treatment Plant Fund of \$10,000 and to the Enterprise Debt Service Fund of \$30,000 without evidence of approval by the Council. Also, during 2017, \$13,046 was transferred from the General Fund to the Drug Law Enforcement Fund of \$1,335, Indigent Drivers Alcohol Treatment Fund of \$4,821, and the Police Levy Fund of \$6,890. One additional transfer, in the total amount of \$27,865, from the Water Operating Fund to the Enterprise Replacement/Improvement Fund was approved by Council.

The failure to either approve each transfer by resolution, or if the transfers are from the general fund, to include as part of the appropriations resolution, increases the risk of irregularities and the risk that adequate resources will not be available to cover obligations in the fund transferring the money. The Council retroactively approved the unapproved transfers and the financial statements were not adjusted.

The Council should approve all transfers. If the transfers from the General Fund are planned at the time when appropriations are adopted, then the transfers can be included as part of the appropriations resolution. In addition, the Fiscal Officer and Council should review the Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 to further their understanding of the requirements for transfers. Finally, the Council should monitor financial activity to help assure that they have approved all transfers.

Management's Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF FELICITY
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code Section 5705.41(B)	Not Corrected	Repeated as Finding number 2018-002
2016-002	Ohio Rev. Code Section 5705.39	Corrected	
2016-003	Ohio Admin. Code Section 117-2-02(C)(1)	Corrected	
2016-004	Ohio Rev. Code Section 5705.10(I)	Not Corrected	Repeated as Finding number 2018-002
2016-005	Financial Reporting	Not Corrected	Repeated as Finding number 2018-001

OHIO AUDITOR OF STATE
KEITH FABER



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
OCTOBER 10, 2019**