



**Auditor of State  
Betty Montgomery**



VILLAGE OF FELICITY  
CLERMONT COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Felicity  
Clermont County  
P.O. Box 613  
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, 2002 and 2001. 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 discussed 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, 2002 and 2001, 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 July 2, 2003 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 management, Village Council 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 2, 2003

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$33,071	\$67,715	\$100,786
Intergovernmental Receipts	106,890	65,808	172,698
Charges for Services	80		80
Fines, Licenses, and Permits	21,557	1,402	22,959
Earnings on Investments	6,581	650	7,231
Miscellaneous	4,836	31	4,867
 Total Cash Receipts	 173,015	 135,606	 308,621
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	68,709	46,176	114,885
Public Health Services	1,232		1,232
Leisure Time Activities	769		769
Transportation	23,968	50,040	74,008
General Government	61,221	1,509	62,730
Debt Service:			
Principal Payments	4,030		4,030
Interest Payments	505		505
Capital Outlay	10,538	48,554	59,092
 Total Cash Disbursements	 170,972	 146,279	 317,251
 Total Receipts Over/(Under) Disbursements	 2,043	 (10,673)	 (8,630)
<b>Other Financing Receipts and (Disbursements):</b>			
Advances-In	29,260		29,260
Advances-Out		(29,260)	(29,260)
 Total Other Financing Receipts/(Disbursements)	 29,260	 (29,260)	 0
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 31,303	 (39,933)	 (8,630)
 Fund Cash Balances, January 1	 83,206	 149,826	 233,032
 <b>Fund Cash Balances, December 31</b>	 <b>\$114,509</b>	 <b>\$109,893</b>	 <b>\$224,402</b>
 Reserves for Encumbrances, December 31	 \$19,836	 \$14,540	 \$34,376

*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, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$262,883		\$262,883
Earnings on Investments	915		\$915
Miscellaneous	193		193
Total Operating Cash Receipts	<u>263,991</u>	<u>0</u>	<u>263,991</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	66,951		66,951
Contractual Services	69,623		69,623
Supplies and Materials	23,487		23,487
Capital Outlay	15,956		15,956
Miscellaneous		12,501	12,501
Total Operating Cash Disbursements	<u>176,017</u>	<u>12,501</u>	<u>188,518</u>
Operating Income/(Loss)	<u>87,974</u>	<u>(12,501)</u>	<u>75,473</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes		14,116	14,116
Other Non-Operating Receipts		27,639	27,639
Total Non-Operating Cash Receipts	<u>0</u>	<u>41,755</u>	<u>41,755</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	15,000		15,000
Debt Service - Interest	20,987		20,987
Other Non-Operating Cash Disbursements		27,365	27,365
Total Non-Operating Cash Disbursements	<u>35,987</u>	<u>27,365</u>	<u>63,352</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	51,987	1,889	53,876
Transfers-In	37,802		37,802
Transfers-Out	<u>(37,802)</u>		<u>(37,802)</u>
Net Receipts Over Disbursements	51,987	1,889	53,876
Fund Cash Balances, January 1	<u>439,169</u>	<u>8,095</u>	<u>447,264</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$491,156</u></b>	<b><u>\$9,984</u></b>	<b><u>\$501,140</u></b>
Reserve for Encumbrances, December 31	<u>\$18,461</u>	<u>\$4,146</u>	<u>\$22,607</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 FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$33,051	\$67,045	\$100,096
Intergovernmental Receipts	111,386	61,874	173,260
Charges for Services	115		115
Fines, Licenses, and Permits	21,789	1,390	23,179
Earnings on Investments	14,092	1,922	16,014
Miscellaneous	12,929		12,929
 Total Cash Receipts	 193,362	 132,231	 325,593
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	94,271	48,414	142,685
Public Health Services	1,200		1,200
Leisure Time Activities	254		254
Transportation	17,565	29,651	47,216
General Government	62,181		62,181
Debt Service:			
Principal Payments	3,834		3,834
Interest Payments	701		701
Capital Outlay	15,079	45,018	60,097
 Total Cash Disbursements	 195,085	 123,083	 318,168
 Total Receipts Over/(Under) Disbursements	 (1,723)	 9,148	 7,425
<b>Other Financing Receipts and (Disbursements):</b>			
Advances-In		29,260	29,260
Advances-Out	(29,260)		(29,260)
 Total Other Financing Receipts/(Disbursements)	 (29,260)	 29,260	 0
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (30,983)	 38,408	 7,425
 Fund Cash Balances, January 1	 114,189	 111,417	 225,606
 <b>Fund Cash Balances, December 31</b>	 <b>\$83,206</b>	 <b>\$149,825</b>	 <b>\$233,031</b>
 Reserves for Encumbrances, December 31	 \$21,044	 \$52,628	 \$73,672

*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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$267,483		\$267,483
Earnings on Investments	3,073		\$3,073
Miscellaneous		80	80
Total Operating Cash Receipts	<u>270,556</u>	<u>80</u>	<u>270,636</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	65,111		65,111
Contractual Services	58,132		58,132
Supplies and Materials	25,568		25,568
Capital Outlay	116,451		116,451
Miscellaneous	0	15,096	15,096
Total Operating Cash Disbursements	<u>265,262</u>	<u>15,096</u>	<u>280,358</u>
Operating Income/(Loss)	<u>5,294</u>	<u>(15,016)</u>	<u>(9,722)</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes		13,920	13,920
Intergovernmental Receipts	42,370		42,370
Other Non-Operating Receipts		27,431	27,431
Total Non-Operating Cash Receipts	<u>42,370</u>	<u>41,351</u>	<u>83,721</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	15,000		15,000
Debt Service - Interest	21,231		21,231
Other Non-Operating Cash Disbursements		27,936	27,936
Total Non-Operating Cash Disbursements	<u>36,231</u>	<u>27,936</u>	<u>64,167</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	11,433	(1,601)	9,832
Transfers-In	80,688		80,688
Advances-In	42,000		42,000
Transfers-Out	(80,688)		(80,688)
Advances-Out	(42,000)		(42,000)
Net Receipts Over/(Under) Disbursements	11,433	(1,601)	9,832
Fund Cash Balances, January 1	<u>427,736</u>	<u>9,696</u>	<u>437,432</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$439,169</u></b>	<b><u>\$8,095</u></b>	<b><u>\$447,264</u></b>
Reserve for Encumbrances, December 31	<u>\$19,395</u>	<u>\$624</u>	<u>\$20,019</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, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Felicity, Clermont County, Ohio (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 water and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

**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.

VILLAGE OF FELICITY  
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Veterans Walk Fund

This fund receives state tax monies to fund the veterans park project.

3. **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 Funds:

Water Operating Fund

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

4. **Fiduciary Funds (Agency Funds)**

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 fund receives municipal income tax revenue from residents for current operating expenses.

Mayor's Court Fund

This fund receives monies from the Mayor's Court which is distributed to the State and Village.

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

A summary of 2002 and 2001 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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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:

	2002	2001
Demand deposits	\$418,270	\$377,305
Savings Account	274,089	269,908
Total deposits	692,359	647,213
U.S. Treasury Notes		32,209
Money Market	33,183	873
Total investments	33,183	33,082
Total deposits and investments	\$725,542	\$680,295

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$172,685	\$202,275	\$29,590
Special Revenue	134,644	135,606	962
Enterprise	304,464	301,793	(2,671)
Fiduciary (1)	14,116	14,116	0
Total	\$625,909	\$653,790	\$27,881

2002 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$287,239	\$190,808	\$96,431
Special Revenue	241,846	190,079	51,767
Enterprise	677,481	268,267	409,214
Fiduciary (1)	20,524	17,117	3,407
Total	\$1,227,090	\$666,271	\$560,819

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$193,428	\$193,362	(\$66)
Special Revenue	159,314	161,491	2,177
Enterprise	432,619	435,614	2,995
Fiduciary (1)	14,000	14,000	0
Total	\$799,361	\$804,467	\$5,106

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$294,528	\$245,389	\$49,139
Special Revenue	255,508	175,711	79,797
Enterprise	778,902	443,576	335,326
Fiduciary (1)	19,619	15,890	3,729
Total	\$1,348,557	\$880,566	\$467,991

(1) Mayor's Court Activity not included.

**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 payments, 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. LOCAL INCOME TAX**

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

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

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Water System 1st Mortgage Revenue Refunding and Improvement Bonds	\$345,000	4.5-6.875%
Ohio Public Works Commission Loan	165,000	0%
Dump Truck Promissory Note	7,906	5%
Total	\$517,906	

The Water System 1<sup>st</sup> Mortgage Revenue Refunding and Improvement Bonds, Series 1994, relates to the improvement of the Village's owned water system. The 1994 issued 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 improvement for the Village. The original loan amount was \$200,000, dated August 1, 1998, bears 0% interest rate, and matures on January and July 1 of each year until final maturity on July 2019.

The Dump Truck Promissory Note with New Richmond National Bank was entered into on November 13, 1999. The note bears an interest rate of 5% and matures on November 12, 2004.

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

	Mortgage Revenue Bonds	OPWC Loan	Dump Truck Note
Year ending December 31:			
2003	\$28,375	\$5,000	\$4,535
2004	33,070	10,000	3,738
2005	32,450	10,000	
2006	31,820	10,000	
2007	31,185	10,000	
2008-2012	151,133	50,000	
2013-2017	153,906	50,000	
2018-2022	152,625	20,000	
Subsequent	60,844	0	
Total	\$675,408	\$165,000	\$8,273



**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**8. RISK POOL MEMBERSHIP**

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 coverage, 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 coverage and reinsures these coverage's. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

**9. DEBT SERVICE TRUSTEED FUNDS**

The 1994 Water System First Mortgage Revenue Refunding and Improvement Bonds Trust agreement required the Village to establish various funds to be maintained by a custodian bank. The Village has established these funds. At December 31, 2002, the custodian held \$12,232 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

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**Auditor of State  
Betty Montgomery**

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

Village of Felicity  
Clermont County  
P.O. Box 613  
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, 2002 and 2001, and have issued our report thereon dated July 2, 2003. 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 no instances of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 2, 2003.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 2, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 2, 2003

**VILLAGE OF FELICITY  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-30413-001	Revised Code 5705.41(D). Not encumbering.	No	Partially Corrected. Reported as a noncompliance citation in the management letter.
2000-30413-002	Debt Covenants – net income 120% of debt payments.	Yes	Corrected. Net Income meets 120% criteria. Management letter cite for not maintaining required improvement fund balance.





**Auditor of State  
Betty Montgomery**

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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  
AUGUST 19, 2003**