

***CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Members of Council
City of North College Hill
1704 West Galbraith Road
North College Hill, Ohio 45239

We have reviewed the *Report of Independent Accountants* of the City of North College Hill, Hamilton County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2005 through December 31, 2006. 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 City of North College Hill is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 24, 2008

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**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2006 & 2005**

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Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

City of North College Hill
Hamilton County, Ohio
1646 West Galbraith Road
North College Hill, Ohio 45239

We have audited the accompanying financial statements of the City of North College Hill, Hamilton County, Ohio (the City), as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the City'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 the Comptroller General of the United States' *Government Auditing Standards*. 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.

Ohio Administrative Code § 117-2-03 (B) requires the City to prepare its annual report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements referred to above do not present fairly the financial position, results of operations, and cash flows, where applicable, of the City of North College Hill as of and for the years ended December 31, 2006 and 2005 in accordance with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

May 16, 2008

CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2006

	Governmental Fund Types			Fiduciary Fund Type	Total Memorandum Only
	General	Special Revenue	Capital Projects	Agency	
Receipts:					
Property and Local Taxes	\$ 2,689,453	\$ 510,166	-	-	\$ 3,199,619
Intergovernmental	368,875	554,991	-	-	923,866
Charges for Services	99,077	133,294	-	-	232,371
Fines, Licenses and Permits	138,096	11,155	-	\$ 181,266	330,517
Interest	2,763	3,962	-	-	6,725
Miscellaneous	56,690	17,965	-	-	74,655
Total Receipts	3,354,954	1,231,533	-	181,266	4,767,753
Disbursements:					
Security of Persons & Property	2,198,778	12,829	-	-	2,211,607
Leisure Time Activities	103,522	59,692	-	-	163,214
Public Health Services	14,495	-	-	-	14,495
Community Environment	28	-	-	-	28
Basic Utility	77,614	-	-	-	77,614
Transportation	-	497,336	\$ 293,907	-	791,243
General Government	824,116	2,655	-	-	826,771
Capital Outlay	71,294	212,674	-	-	283,968
Debt Service:					
Principal Retirement	104,520	56,380	88,730	-	249,630
Interest	29,353	7,275	1,065	-	37,693
Total Disbursements	3,423,720	848,841	383,702	-	4,656,263
Total Receipts Over/(Under) Disbursements	(68,766)	382,692	(383,702)	181,266	111,490
Other Financing Sources/(Uses):					
Transfers-In	-	126,813	367,795	-	494,608
Transfers-Out	(37,057)	(367,795)	(89,756)	-	(494,608)
Other Sources	78,527	14,174	-	-	92,701
Distribution of Fines	-	-	-	(180,924)	(180,924)
Total Other Financing Sources/(Uses)	41,470	(226,808)	278,039	(180,924)	(88,223)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(27,296)	155,884	(105,663)	342	23,267
Fund Cash Balance January 1, 2006	53,397	559,670	217,252	2,488	832,807
Fund Cash Balance December 31, 2006	\$ 26,101	\$ 715,554	\$ 111,589	\$ 2,830	\$ 856,074

See Accompanying Notes to the Financial Statements.

CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Capital Projects	Fund Types Agency	
Receipts:					
Property and Local Taxes	\$ 2,408,606	\$ 479,642	-	-	\$ 2,888,248
Intergovernmental	346,898	380,443	\$ 986,321	-	1,713,662
Charges for Services	92,621	103,627	-	-	196,248
Fines, Licenses and Permits	206,486	22,140	-	\$ 278,763	507,389
Interest	3,907	5,299	-	-	9,206
Miscellaneous	112,150	-	-	-	112,150
Total Receipts	3,170,668	991,151	986,321	278,763	5,426,903
Disbursements:					
Security of Persons & Property	2,182,717	21,692	-	-	2,204,409
Public Health Services	4,478	-	-	-	4,478
Leisure Time Activities	86,173	57,973	-	-	144,146
Community Environment	306	-	-	-	306
Basic Utility	68,808	-	-	-	68,808
Transportation	-	534,000	1,367,695	-	1,901,695
General Government	785,414	4,409	-	-	789,823
Capital Outlay	74,175	192,776	-	-	266,951
Debt Service:					
Principal Retirement	104,520	25,668	86,650	-	216,838
Interest	32,003	939	3,169	-	36,111
Total Disbursements	3,338,594	837,457	1,457,514	-	5,633,565
Total Receipts Over/(Under)					
Disbursements	(167,926)	153,694	(471,193)	278,763	(206,662)
Other Financing Sources/(Uses):					
Notes Issued	163,818	-	-	-	163,818
Transfers-In	-	1,154,345	1,206,246	-	2,360,591
Transfers-Out	(263,818)	(1,247,092)	(849,681)	-	(2,360,591)
Other Sources	98,188	-	-	-	98,188
Distribution of Fines	-	-	-	(280,376)	(280,376)
Total Other Financing Sources/(Uses)	(1,812)	(92,747)	356,565	(280,376)	(18,370)
Excess of Receipts and Other					
Sources Over/(Under) Disbursements					
and Other Uses	(169,738)	60,947	(114,628)	(1,613)	(225,032)
Fund Cash Balance January 1, 2005	223,135	498,723	331,880	4,101	1,057,839
Fund Cash Balance December 31, 2005	\$ 53,397	\$ 559,670	\$ 217,252	\$ 2,488	\$ 832,807

See Accompanying Notes to the Financial Statements.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The City of North College Hill, Hamilton County (the City) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a publicly elected six member council. The City provides various services including police and fire protection, recreation, street maintenance and repair and general administrative services.

The City's management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-2-03 (B), to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting 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).

The statements include disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. 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 City maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The City has the following significant Special Revenue funds:

- Street Construction, Maintenance and Repair Fund-Receives gas tax and motor vehicle tax money for constructing, maintaining and repairing City streets.
- Street Levy Fund-Receives property tax money for constructing, maintaining and repairing City streets.
- Fire Services Fund-Receives revenues from residents who receive emergency medical services from City emergency personnel.

Capital Projects: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The City has the following significant Capital Projects Fund:

- Southridge Ave. Fund-Accounts for construction costs of the Southridge Avenue project.

Fiduciary Fund Type: To account for custodial funds held by the City acting as an agent for another government, organization, individual or fund. The City had the following Fiduciary Fund:

Agency Fund:

- Mayor's Court- This fund accounts for receipts and disbursements of the Mayor's Court.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is approved by the City Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the City. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the City. The certificate is approved by the county budget commission and sent to the City Fiscal Officer by September 1.

Prior to December 31, the City must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the City Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenues increase or the City Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2005 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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 leave. Unpaid leave is not reflected as a liability under the City's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$856,074</u>	<u>\$832,807</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the City, or (3) collateralized by the financial institution's public entity deposit pool.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

<u>Fund:</u>	<u>2006 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 3,395,100	\$ 3,433,481	\$ 38,381
Special Revenue Funds	1,155,936	1,372,520	216,584
Capital Projects Fund	89,200	367,795	278,595

<u>Fund:</u>	<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ -	\$ 3,460,777	\$(3,460,777)
Special Revenue Funds	-	1,216,636	(1,216,636)
Capital Projects Fund	-	473,458	(473,458)

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

4. BUDGETARY ACTIVITY – (Continued)

<u>Fund:</u>	<u>2005 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 3,388,688	\$ 3,432,674	\$ 43,986
Special Revenue Funds	1,466,512	2,145,496	678,984
Capital Projects Fund	528,000	2,192,567	1,664,567

<u>Fund:</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$ 3,904,977	\$ 3,602,412	\$ 302,565
Special Revenue Funds	962,676	2,084,549	(1,121,873)
Capital Projects Fund	287,820	2,307,195	(2,019,375)

The City was in violation of Ohio Revised Code Sections 5705.41(B) and 5705.39 (See Schedule of Findings).

5. RETIREMENT SYSTEMS

The City's law enforcement officers and firefighters belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, 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 prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the City contributed 19.5%. OPERS members contributed 8.5% in 2005 and 9.0% in 2006 of their gross pay while the City contributed an amount equal to 13.55% in 2005 and 13.70% in 2006 of covered payroll. The City paid all required contributions through 2006.

6. RISK MANAGEMENT

RISK POOL MEMBERSHIP

The City belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 515 Ohio governments in 2006.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

6. RISK MANAGEMENT- (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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.

Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

The Plan's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and Member's Equity at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	<u>3,329,620</u>	<u>2,748,639</u>
Member's Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan's website, www.ohioplan.org.

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

6. RISK MANAGEMENT- (Continued)

The City pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the City did not reduce its insurance coverages significantly during the year.

7. DEBT

Debt outstanding at December 31, 2006 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
2005 Capital Improvement Bonds	\$ 133,723	4.25%
2002 Capital Improvement Bonds	600,000	2.99%
Equipment Loan	15,392	3.90%
Total	<u>\$ 749,115</u>	

Principal and interest requirements for debt outstanding at December 31, 2006 is as follows:

<u>Year Ended</u>	<u>2005 Capital Improvement Bonds</u>	<u>2002 Capital Improvement Bonds</u>	<u>Equipment Purchase</u>
2007	\$ 37,056	\$ 125,350	\$ 5,473
2008	37,056	121,800	5,473
2009	37,056	117,900	5,473
2010	37,056	113,700	-
2011	-	109,300	-
2012	-	104,700	-
Total	<u>\$ 148,224</u>	<u>\$ 692,750</u>	<u>\$ 16,419</u>

8. INCOME TAX

The City levies an income tax of 1.50 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as certain income of residents earned outside of the City.

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

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

9. INTERFUND TRANSFERS

Unrestricted receipts collected in the general fund are transferred to finance various programs accounted for in other funds in accordance with budgetary authorizations. Also, transfers are made from special revenue funds which collect revenues for street improvements to capital project funds which account for expenditures for those various street improvement projects. Capital project funds transfer unused money back to the special revenue funds upon completion of the project. All requirements of the Ohio Revised Code were followed.

10. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of North College Hill
Hamilton County
1646 West Galbraith Road
North College Hill, Ohio 45239

To Village Council:

We have audited the financial statements of the City of North College Hill, Hamilton County, Ohio (the City), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2008, wherein we noted the City followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings as item 2006-NCH-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 items 2006-NCH-01 through 03.

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

We noted certain matters that we have reported to management of the City in a separate letter dated May 16, 2008.

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

Charles E. Harris and Associates, Inc.
May 16, 2008

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
For The Years Ended December 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2006-NCH-01-Noncompliance Citation and Material Weakness:

Ohio Revised Code Section 117.38 requires that each public office, other than a state agency, file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles.

Contrary to these requirements, the City failed to file a financial report for 2005 and elected to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund balances and disclosures that, while material, cannot be determined at this time.

Policies and procedures should be developed and implemented to ensure that the annual financial report is generated in the prescribed format and available for review by the general public and the City Council. A copy of this report should be filed with the Auditor of State of Ohio and a notice should be published in a local newspaper stating that the report is available for inspection by the general public.

Management indicated that they are aware of these requirements however they indicated that the cost of compliance is more than the City is willing to spend.

Finding Number 2006-NCH-02-Noncompliance:

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control, which is the object level for all funds.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
For The Years Ended December 31, 2006 and 2005**

Finding Number 2006-NCH-02 (Continued)

Ohio Revised Code Section 5705.39 provides, in part, that no appropriation measure shall become effective until the City obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

The City did not file an appropriation ordinance with the County Auditor for 2006 and could not provide us with a copy of such measure. Therefore, the City did not have a legally binding appropriation measure in effect for 2006.

The following funds had total expenditures plus encumbrances in excess of appropriations at December 31, 2006 and 2005:

	<u>2006</u>		
<u>Fund</u>	<u>Appropriations</u>	Expenditures Plus <u>Encumbrances</u>	<u>Variance</u>
General Fund	-	\$3,460,777	\$(3,460,777)
Special Revenue-All Funds	-	\$1,216,636	\$(1,216,636)
Capital Projects-All Funds	-	\$473,458	\$(473,458)

	<u>2005</u>		
<u>Fund</u>	<u>Appropriations</u>	Expenditures Plus <u>Encumbrances</u>	<u>Variance</u>
Special-Street Levy Fund	\$313,820	\$1,352,572	\$(1,038,752)
Special-Senior Center	\$53,300	\$57,973	\$ (4,673)
Special-Fire Equipment	\$29,000	\$55,089	\$(26,089)
Special -Swimming Pool	-	\$159,318	\$(159,318)
Special-DUI	\$4,000	\$5,011	\$(1,011)
Capital-Goodman Ave	-	\$65,000	\$(65,000)
Capital-Meis/West Belmar	\$198,000	\$1,387,449	\$(1,189,449)
Capital-Galbraith East	-	\$100,193	\$(100,193)
Capital-Catalpa Ave	-	\$160,607	\$(160,607)
Capital-Foxwood Dr	-	\$76,002	\$(76,002)
Capital-Southridge Ave	-	\$428,124	\$(428,124)

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
For The Years Ended December 31, 2006 and 2005**

Finding Number 2006-NCH-02 (Continued)

Since these funds were over appropriated at the fund level, the legal level of control violations were not disclosed.

We recommend Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then the Council and the Fiscal Officer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations. We further recommend that all appropriation measures and supplemental appropriation measures be filed with the County Auditor.

Management agrees and will monitor expenditures compared to appropriations and file the required documents with the County Auditor.

Finding Number 2006-NCH-03-Noncompliance:

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission..."

This section also provides that no appropriation measure shall become effective until the City obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the following funds had total appropriations in excess of estimated resources, including carryover balances:

2005

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$3,611,823	\$3,904,977	\$(293,154)
Special-Street CMR	\$457,872	\$531,950	\$(74,078)

Since the City did not have a legally binding appropriation measure for 2006 we could not ascertain their compliance with this requirement for that year.

Management agrees and will monitor appropriations and estimated resources closer.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For The Years Ended December 31, 2006 and 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-NCH-01	OAC 117-2-03 (B) – Financial statements not prepared in accordance with GAAP	No	Repeated as Finding 2006-NCH-01
2004-NCH-02	ORC 5705.41(D) – Failure to certify funds	Yes	
2004-NCH-03	ORC 5705.41(B) – Expenditures exceeded appropriations	No	Repeated as Finding 2006-NCH-02
2004-NCH-04	ORC 5705.36(A) – Amended Certificate of Estimated Resources not obtained	Yes	
2004-NCH-05	ORC 5705.39 – Appropriations exceeded available resources	No	Repeated as Finding 2006-NCH-03



Mary Taylor, CPA
Auditor of State

CITY OF NORTH COLLEGE HILL

HAMILTON 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
JULY 8, 2008**