

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

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



**Auditor of State
Betty Montgomery**

Members of City 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, 2003 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 19, 2006

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**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2004 & 2003**

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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, 2004 and 2003, 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 reasonably assure 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, 2004 and 2003 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 March 31, 2006 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.

March 31, 2006

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, 2004

	Governmental Fund Types			Fiduciary	Total Memorandum Only
	General	Special Revenue	Capital Projects	Fund Type Agency	
Receipts:					
Property and Local Taxes	\$ 2,238,821	\$ 476,456	-	-	\$ 2,715,277
Intergovernmental	557,629	353,796	\$ 231,453	-	1,142,878
Charges for Services	99,627	65,501	-	-	165,128
Fines, Licenses and Permits	200,573	25,282	-	\$ 274,611	500,466
Interest	2,670	344	-	-	3,014
Miscellaneous	29,151	3,695	13,313	-	46,159
Total Receipts	3,128,471	925,074	244,766	274,611	4,572,922
Disbursements:					
Security of Persons & Property	2,130,530	12,292	-	-	2,142,822
Leisure Time Activities	106,491	-	-	-	106,491
Community Environment	4,975	-	-	-	4,975
Basic Utility	56,060	-	-	-	56,060
Transportation	-	532,452	-	-	532,452
General Government	754,314	66,863	-	-	821,177
Capital Outlay	42,324	35,007	408,824	-	486,155
Debt Service:					
Principal	100,000	25,068	84,619	-	209,687
Interest	33,200	1,364	5,225	-	39,789
Total Disbursements	3,227,894	673,046	498,668	-	4,399,608
Total Receipts Over/(Under)					
Disbursements	(99,423)	252,028	(253,902)	274,611	173,314
Other Financing Sources/(Uses):					
Loan Proceeds	24,432	-	-	-	24,432
Transfers-In	-	711,919	1,075,862	-	1,787,781
Transfers-Out	(20,662)	(1,097,200)	(669,919)	-	(1,787,781)
Other Sources	72,916	-	-	-	72,916
Distribution of Fines	-	-	-	(274,400)	(274,400)
Total Other Financing Sources/(Uses)	76,686	(385,281)	405,943	(274,400)	(177,052)
Excess of Receipts and Other					
Sources Over/(Under) Disbursements					
and Other Uses	(22,737)	(133,253)	152,041	211	(3,738)
Fund Cash Balance January 1, 2004	245,872	631,976	179,839	3,890	1,061,577
Fund Cash Balance December 31, 2004	\$ 223,135	\$ 498,723	\$ 331,880	\$ 4,101	\$ 1,057,839

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, 2003

	Governmental Fund Types			Fiduciary Fund Types	Total Memorandum Only
	General	Special Revenue	Capital Projects	Agency	
Receipts:					
Property and Local Taxes	\$ 2,659,046	\$ 466,660	-	-	\$ 3,125,706
Intergovernmental	185,031	256,220	\$ 274,489	-	715,740
Charges for Services	26,059	44,449	-	-	70,508
Fines, Licenses and Permits	267,755	155,681	-	\$ 261,231	684,667
Interest	-	229	-	-	229
Miscellaneous	67,419	63,463	19,967	-	150,849
Total Receipts	3,205,310	986,702	294,456	261,231	4,747,699
Disbursements:					
Security of Persons & Property	1,950,670	14,936	-	-	1,965,606
Public Health Services	6,878	-	-	-	6,878
Leisure Time Activities	99,972	-	-	-	99,972
Community Environment	12,855	-	-	-	12,855
Basic Utility	45,507	-	-	-	45,507
Transportation	-	704,833	-	-	704,833
General Government	782,513	57,016	19,967	-	859,496
Capital Outlay	175,247	55,024	319,255	-	549,526
Debt Service:					
Principal	100,000	23,044	239,999	-	363,043
Interest	34,950	5,504	18,797	-	59,251
Total Disbursements	3,208,592	860,357	598,018	-	4,666,967
Total Receipts Over/(Under) Disbursements	(3,282)	126,345	(303,562)	261,231	80,732
Other Financing Sources/(Uses):					
Advances-Out	-	(91,809)	-	-	(91,809)
Advances-In	91,809	-	-	-	91,809
Transfers-In	-	340,587	550,000	-	890,587
Transfers-Out	(146,000)	(550,000)	(194,587)	-	(890,587)
Distribution of Fines	-	-	-	(275,641)	(275,641)
Total Other Financing Sources/(Uses)	(54,191)	(301,222)	355,413	(275,641)	(275,641)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(57,473)	(174,877)	51,851	(14,410)	(194,909)
Fund Cash Balance January 1, 2003	303,345	806,853	127,988	18,300	1,256,486
Fund Cash Balance December 31, 2003	\$ 245,872	\$ 631,976	\$ 179,839	\$ 3,890	\$ 1,061,577

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, 2004 and 2003**

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 these 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, 2004 and 2003**

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-uses gasoline tax monies for construction and repair of City streets.
- Street Levy Fund-uses tax monies for various City street projects.

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 Funds:

- Galbraith Road Fund-uses various state and local taxes for this street project.
- Meis-W. Belmar Fund-uses various funding sources for renovation of these streets.
- Dianna Drive Fund- uses local grants sources for this street 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-accounts for City court activity.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

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 of 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, 2003 and 2004. 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, 2004 and 2003**

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>2004</u>	<u>2003</u>
Demand deposits	<u>\$1,057,839</u>	<u>\$1,061,577</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, 2004 and 2003**

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. The last update was completed for tax year 2004.

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.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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, 2004 and 2003 follows:

<u>Fund:</u>	<u>2004 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 3,535,191	\$ 3,225,819	\$ (309,372)
Special Revenue Funds	1,139,554	1,636,993	497,439
Capital Projects Fund	1,746,413	1,320,628	(425,785)

<u>Fund:</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 3,425,963	\$ 3,248,556	\$ 177,407
Special Revenue Funds	1,892,683	1,770,246	122,437
Capital Projects Fund	999,088	1,168,587	(169,499)

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

4. BUDGETARY ACTIVITY – (Continued)

<u>Fund:</u>	<u>2003 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 3,305,698	\$ 3,297,119	\$ (8,579)
Special Revenue Funds	1,573,490	1,327,289	(246,201)
Capital Projects Fund	375,000	844,456	469,456

<u>Fund:</u>	<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$ 3,514,695	\$ 3,354,592	\$ 160,103
Special Revenue Funds	1,256,022	1,502,166	(246,144)
Capital Projects Fund	669,076	792,605	(123,529)

5. RETIREMENT SYSTEMS

The City's law enforcement officers 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% of their gross pay while the City contributed an amount equal to 13.55% of covered payroll. The City paid all required contributions through 2004.

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 500 Ohio governments.

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.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

6. RISK MANAGEMENT – (Continued)

RISK POOL MEMBERSHIP

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Retained Earnings	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

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

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

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

7. DEBT

Debt outstanding at December 31, 2004 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
2001 Street Improvement Bonds	\$ 175,380	4.65%
2002 Capital Improvement Bonds	800,000	2.99%
Equipment Lease-Purchase	51,953	5.50%
Equipment Loan	24,432	3.90%
Total	<u>\$1,051,765</u>	

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

7. DEBT – (Continued)

Principal and interest requirements for debt outstanding at December 31, 2004 is as follows:

<u>Year Ended</u>	2001 Street Improvement Bonds	2002 Capital Improvement Bonds	Equipment Lease-Purchase	Equipment Purchase
2005	\$ 89,820	\$ 131,050	\$ 26,606	\$ 5,473
2006	89,795	128,400	26,599	5,473
2007	-	125,350	-	5,473
2008	-	121,800	-	5,473
2009	-	117,900	-	5,473
2010-2012	-	327,700	-	-
Total	<u>\$ 179,615</u>	<u>\$ 952,200</u>	<u>\$ 53,205</u>	<u>\$ 27,365</u>

8. INCOME TAX

The City levies an income tax of 1.00 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.

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 that are accounted for in those various street improvement projects funds. Transfers are also made to return unused monies for these projects. All requirements of the Ohio Revised Code were followed.

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

11. COMPLIANCE

We performed tests of compliance with provisions of local, state, and/or federal laws, as applicable. The auditor's report on the City's compliance with the Ohio Revised Code and internal control structure comments are included in a separate part of this presentation.

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

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**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**

The City Council
City of North College Hill
1646 West Galbraith Road
North College Hill, Ohio 45239

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, 2004 and 2003, and have issued our report thereon dated March 31, 2006, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 we have reported to management of the City in a separate letter dated March 31, 2006.

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 2004-NCH-01 through 2004-NCH-05.

This report is intended solely for the information and use of the 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.
March 31, 2006

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
For The Years Ended December 31, 2004 and 2003**

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

Compliance and Other Matters

Finding Number 2004-NCH-01:

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 this requirement, the City 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.

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

Finding Number 2004-NCH-02:

Ohio Rev. Code Section 5705.41(D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

Amounts of less than \$1,000 (\$3,000 effective April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
For The Years Ended December 31, 2004 and 2003**

Finding Number 2004-NCH-02 (Continued):

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 28, 2003 blanket certificates were limited to \$5,000 and three months). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to this requirement, none of the transactions tested for 2004 and 2003 included prior certification by the City Auditor nor was there any evidence of a “Then and Now” certificate being used.

We recommend the City institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate.

Management agrees and indicated they would implement procedures to comply in the future.

Finding Number 2004-NCH-03

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. The following funds had total expenditures plus encumbrances expended money in excess of appropriations at December 31, 2003 and 2004:

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
For The Years Ended December 31, 2004 and 2003**

Finding Number 2004-NCH-03 (Continued)

	<u>2004</u>		
<u>Fund</u>	<u>Appropriations</u>	Expenditures Plus <u>Encumbrances</u>	<u>Variance</u>
Capital Projects- Galbraith East	\$182,200	\$263,007	\$(80,807)
Capital Projects-RMT	\$375,000	\$467,186	\$(92,186)

	<u>2003</u>		
<u>Fund</u>	<u>Appropriations</u>	Expenditures Plus <u>Encumbrances</u>	<u>Variance</u>
Special-Street Levy Fund	\$663,087	\$951,386	\$(288,299)
Capital Projects-Parrish	\$167,160	\$187,127	\$(19,967)
Capital Projects-Galbraith	\$ -	\$167,200	\$(167,200)
Capital Projects-Dianna	\$ -	\$91,597	\$(91,597)

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.

Management agrees and will monitor expenditures compared to appropriations.

Finding Number 2004-NCH-04

Ohio Rev. Code Section 5705.36(A)(4) requires a reduced amended certificate of estimated resources to be requested whenever the fiscal officer determines that revenue collected will be less than the amount in the official certificate of estimated resources and the deficiency will reduce available resources below the current level of appropriation.

We noted that actual receipts for the RMT capital projects fund exceeded the estimated receipts by \$274,489 in 2003. This excess was appropriated by the City Council, however, an amended certificate of estimated resources was not obtained. This resulted in the appropriation for this fund exceeding estimated resources as certified to the county budget commission.

Management agrees and will obtain the proper certificate from the county auditor.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
For The Years Ended December 31, 2004 and 2003**

Finding Number 2004-NCH-05

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:

2004

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special-Street Levy Fund	\$989,133	\$1,272,200	\$(283,067)
Special-Senior Citizen Fund	\$50,000	\$53,300	\$(3,300)
Special-Police Seizure Fund	\$11,064	\$11,841	\$(777)

2003

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special-Police Seizure Fund	\$9,708	\$14,191	\$(4,483)
Capital Projects-Richard- Marvin-Telford Fund	\$200,000	\$474,489	\$(274,489)

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, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	OAC 117-2-03 (B) – Financial statements not prepared in accordance with GAAP	No	Repeated as Finding 2004-NCH-01
2002-002	ORC 5705.41(B) – Expenditures exceeded appropriations	No	Repeated as Finding 2004-NCH-03
2002-003	ORC 5705.36 – Available balances not certified to County Auditor	Yes	Available balances were certified for 2004 and 2003
2002-004	ORC 5705.36(A) – Amended Certificate of Estimated Resources not obtained	No	Repeated as Finding 2004-NCH-04
2002-005	ORC 5705.39 – Appropriations exceeded available resources	No	Repeated as Finding 2004-NCH-05
2002-006	ORC 5705.41(D) – Failure to certify funds	No	Repeated as Finding 2004-NCH-02



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**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
JUNE 29, 2006**