



**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Agency Fund – For the Year Ended December 31, 2000	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Agency Fund – For the Year Ended December 31, 1999	6
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

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, 2000 and 1999. 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 *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.

Ohio Admin. Code, Section 117-6-01 (replaced by OAC 117-02-3 effective July 1, 2000), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as described in Note 1B, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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 City as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2001, 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 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, City 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.

Jim Petro
Auditor of State

August 16, 2001

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property Tax	\$1,476,030	\$438,729	\$0	\$1,914,759
Intergovernmental Receipts	565,142	416,932	142,666	1,124,740
Charges for Services	112,944	48,607	0	161,551
Fines, Licenses, and Permits	96,645	2,064	0	98,709
Earnings on Investments	88,755	2,990	0	91,745
Miscellaneous	63,313	0	0	63,313
	2,402,829	909,322	142,666	3,454,817
Cash Disbursements:				
Current:				
Security of Persons and Property	1,535,596	4,732	0	1,540,328
Public Health Services	6,512	0	0	6,512
Leisure Time Activities	138,886	43,290	0	182,176
Community Environment	841	0	0	841
Basic Utility Services	17,843	0	0	17,843
Transportation	0	848,822	0	848,822
General Government	739,441	14,003	0	753,444
Debt Service:				
Principal Payments	0	0	160,000	160,000
Interest Payments	0	0	28,560	28,560
Capital Outlay	329,169	50,299	691,705	1,071,173
	2,768,288	961,146	880,265	4,609,699
Total Receipts Over/(Under) Disbursements	(365,459)	(51,824)	(737,599)	(1,154,882)
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes	0	0	515,000	515,000
Transfers-In	0	0	328,848	328,848
Transfers-Out	0	(328,848)	0	(328,848)
	0	(328,848)	843,848	515,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(365,459)	(380,672)	106,249	(639,882)
Fund Cash Balances, January 1	969,774	1,316,798	52,666	2,339,238
Fund Cash Balances, December 31	\$604,315	\$936,126	\$158,915	\$1,699,356

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

CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$100,154</u>
Total Non-Operating Cash Receipts	<u>100,154</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>98,722</u>
Total Non-Operating Cash Disbursements	<u>98,722</u>
Excess of Receipts Over/(Under) Disbursements	1,432
Fund Cash Balance, January 1 - Restated	<u>10,912</u>
Fund Cash Balance, December 31	<u><u>\$12,344</u></u>

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

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property Tax	\$1,497,365	\$450,011	\$7,420	\$1,954,796
Intergovernmental Receipts	573,641	382,644	1,654,262	2,610,547
Charges for Services	106,588	61,009	0	167,597
Fines, Licenses, and Permits	102,176	1,576	0	103,752
Earnings on Investments	97,544	1,842	0	99,386
Miscellaneous	42,126	142	0	42,268
	2,419,440	897,224	1,661,682	4,978,346
Cash Disbursements:				
Current:				
Security of Persons and Property	1,379,679	2,929	0	1,382,608
Public Health Services	8,017	0	0	8,017
Leisure Time Activities	127,738	37,682	0	165,420
Community Environment	12,310	0	0	12,310
Basic Utility Services	17,800	0	0	17,800
Transportation	0	524,564	1,225,158	1,749,722
General Government	634,723	8,939	0	643,662
Debt Service:				
Principal Payments	0	0	160,000	160,000
Interest Payments	0	0	35,360	35,360
Capital Outlay	195,187	32,778	1,065,530	1,293,495
	2,375,454	606,892	2,486,048	5,468,394
Total Receipts Over/(Under) Disbursements	43,986	290,332	(824,366)	(490,048)
Other Financing Receipts/(Disbursements):				
Transfers-In	0	130,000	319,269	449,269
Transfers-Out	(130,000)	(319,269)	0	(449,269)
	(130,000)	(189,269)	319,269	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(86,014)	101,063	(505,097)	(490,048)
Fund Cash Balances, January 1	1,055,788	1,215,735	557,763	2,829,286
Fund Cash Balances, December 31	\$969,774	\$1,316,798	\$52,666	\$2,339,238
Reserves for Encumbrances, December 31	\$76,187	\$0	\$0	\$76,187

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

CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

Non-Operating Cash Receipts:

Other Non-Operating Cash Receipts \$104,871

Total Non-Operating Cash Receipts 104,871

Non-Operating Cash Disbursements:

Other Non-Operating Cash Disbursements 104,449

Total Non-Operating Cash Disbursements 104,449

Excess of Receipts Over/(Under) Disbursements 422

Fund Cash Balance, January 1 - Restated 10,490

Fund Cash Balance, December 31 \$10,912

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

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The City of North College Hill, Hamilton County, Ohio (the City), 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 City is directed by a publicly-elected, six-member Council. The City provides general governmental services, park operations (leisure time activities), and police and fire services.

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

B. Basis of Accounting

Although required by Ohio Admin. Code, Section 117-6-01 (replaced by OAC 117-02-3 effective July 1, 2000), to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. 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).

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

C. Cash and Investments

The City's investment in repurchase agreements is 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 City uses fund accounting to segregate cash and investments that are restricted as to use. The City classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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 City had the following significant Special Revenue Funds:

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing City streets.

Street Levy Fund - This fund is used to account for the proceeds of a tax levy approved by City voters for the repair and maintenance of City streets.

3. Capital Project Funds

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

Galbraith Road Fund- This fund receives proceeds from state and local taxes. The proceeds are being used to complete a major road construction, repair, and improvement project on Galbraith Road.

Clovenoll Fund- This fund receives proceeds from state grants. The proceeds are being used to complete a major road construction, repair, and improvement project on Clovenoll Street.

Marilyn & Ellen Fund - This fund receives proceeds from state and local grants. The proceeds are being used to complete a major road construction, repair, and improvement project on Marilyn and Ellen Streets.

Diana Drive Fund - This fund receives proceeds from local grants. The proceeds are being used to complete a major road construction, repair, and improvement project on Diana Drive.

4. Fiduciary Fund (Agency Fund)

Funds for which the City is acting in an agency capacity are classified as agency funds. The City had the following Agency Fund:

Mayor's Court Fund - This fund receives fines and forfeitures for violation of ordinances within the City limits.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditure (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year- end.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 City to reserve (encumber) appropriations when commitments are made. The City did not certify the availability of funds before making commitments and did not encumber appropriations. However, a review was performed to determine amounts that should have been encumbered at December 31, 2000 and 1999, and those amounts were added to the financial statements as "Reserves for Encumbrances".

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 794,232	\$ 780,770
Repurchase agreement	<u>917,468</u>	<u>1,569,380</u>
Total deposits and investments	<u>\$ 1,711,700</u>	<u>\$ 2,350,150</u>

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

Investments: Investments are uninsured and unregistered investments for which the securities are held by the financial institution or its trust department or agent but not in the City's name.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,273,365	\$ 2,402,829	\$ 129,464
Special Revenue	971,160	909,322	(61,838)
Capital Projects	<u>2,000</u>	<u>986,514</u>	<u>984,514</u>
Total	<u>\$ 3,246,525</u>	<u>\$ 4,298,665</u>	<u>\$ 1,052,140</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,975,080	\$ 2,882,345	\$ 92,735
Special Revenue	1,367,172	1,289,994	77,178
Capital Projects	<u>1,024,576</u>	<u>880,265</u>	<u>144,311</u>
Total	<u>\$ 5,366,828</u>	<u>\$ 5,052,604</u>	<u>\$ 314,224</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,117,035	\$ 2,419,440	\$ 302,405
Special Revenue	882,158	1,027,224	145,066
Capital Projects	<u>1,000</u>	<u>1,980,951</u>	<u>1,979,951</u>
Total	<u>\$ 3,000,193</u>	<u>\$ 5,427,615</u>	<u>\$ 2,427,422</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,770,360	\$ 2,581,641	\$ 188,719
Special Revenue	3,892,902	926,161	2,966,741
Capital Projects	<u>2,356,703</u>	<u>2,486,048</u>	<u>(129,345)</u>
Total	<u>\$ 9,019,965</u>	<u>\$ 5,993,850</u>	<u>\$ 3,026,115</u>

The Street Construction, Maintenance & Repair Fund and the Street Levy Fund had estimated receipts which exceeded actual receipts at December 31, 2000.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

The General , Street Levy, Street Construction Maintenance & Repair, Fire Equipment, Clovernull, Marilyn & Ellen and Diana Drive Funds had total appropriations in excess of total estimated resources at December 31, 2000. This also occurred in the General, Recreation, Street Levy, Fire Equipment, Galbraith Road, Dallas Park & Sundale, Clovernull, and Marilyn & Ellen Funds at December 31, 1999.

The Street Levy and Diana Drive Funds had total expenditures which exceeded total appropriations at December 31, 2000. This also occurred in the Marilyn & Ellen Fund at December 31, 1999.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

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 City.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1998 Street Improvement Bonds	\$ 480,000.00	4.45%
2000 Street Improvement Note	<u>515,000.00</u>	5.09%
Total	<u><u>\$ 995,000.00</u></u>	

The City issued \$800,000 of bonds in August 1998 for street improvements. The bonds will be repaid in yearly installments of \$160,000, plus interest, for more than five years, maturing in December 2003.

The City issued a one year \$515,000 note in June 2000 for street improvements. The principal and interest will be repaid at maturity in June 2001.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

5. DEBT (Continued)

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

Year ending December 31:	Street Improvement Bonds	Street Improvement Note
2001	\$ 181,440	\$ 541,214
2002	174,320	0
2003	167,120	0
Total	\$ 522,880	\$ 541,214

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The City contributed an amount equal to 24% of their wages. PERS members contributed 8.5% of their gross salaries. The City contributed an average rate of 10.84% for fiscal year 2000 and 13.55% for fiscal year 1999 of participants' gross salaries. The City has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The City belongs to the Ohio Municipal League Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Pool pays judgments, settlements, and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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

7. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31:

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	<u>3,863,373</u>	<u>3,461,914</u>
Retained (deficit) earnings	<u>(\$904,546)</u>	<u>\$689,536</u>

The City also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

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

To the City Council:

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, 2000 and 1999, and have issued our report thereon dated August 16, 2001, wherein we noted the City did not prepare its annual financial report in accordance with generally accepted accounting principles, which is required by statute. 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 City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-20431-001 through 2000-20431-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 16, 2001.

Internal Control 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-20431-003 through 2000-20431-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition 2000-20431-006 described above to be a material weakness.

We also 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 City in a separate letter dated August 16, 2001.

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

Jim Petro
Auditor of State

August 16, 2001

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-20431-001

Noncompliance Citation

Ohio Admin. Code, Section 117-6-01 (replaced by OAC 117-02-3 effective 7/1/00), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements on the basis formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principals. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The City can be fined and various other legal administrative remedies may be taken against the City.

FINDING NUMBER 2000-20431-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures which exceeded appropriations:

<u>FY 2000</u>	<u>Appropriations</u>	<u>Budgeted Expenditures</u>	<u>Variance</u>
Street Levy	\$ 657,140	\$ 751,237	(\$94,097)
Diana Drive	515,000	517,113	(2,113)
<u>FY 1999</u>			
Marilyn & Ellen	215,132	391,610	(176,478)

This did not result in a negative cash fund balance for any of the funds listed above.

FINDING NUMBER 2000-20431-003

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.36, states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The City did not file with the County Auditor a copy of the "Certificate of the Total Amount from All Sources Available for Expenditures and Balances."

The City did not maintain a list of outstanding encumbrances at year-end for fiscal years 2000 and 1999. They also did not certify year-end encumbrances amounts to the County Auditor. The City should maintain a list of outstanding encumbrances at year-end. These amounts should be certified to the County Auditor on the Certificate of Total Amounts from All Sources Available for Expenditures and Balances. This process will help the City properly monitor their fund balances and possibly avoid budgetary citations related to proper certification.

FINDING NUMBER 2000-20431-004

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. 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 City Auditor may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the City Auditor may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Contrary to the above requirements, the City failed to obtain the certification of the availability of funds from the City Auditor prior to the invoice date for 100% of the expenditures tested, and neither of the two exceptions provided above were utilized. The City should properly certify the availability of funds prior to making an expenditure. Failure to do so could result in the misappropriation of funds or over-spending of available resources.

FINDING NUMBER 2000-20431-005

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund shall not exceed the total estimated revenue as certified by the budget commission.

Appropriations exceeded the estimated revenues in the following funds:

<u>FY 2000</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$ 2,593,830	\$ 2,975,080	\$(381,250)
Street Levy	461,870	657,140	(195,270)
Street Construction, Maintenance & Repair	471,891	518,000	(46,109)
Fire Equipment	133,496	142,500	(9,004)
Clovernoll	0	7,420	(7,420)
Marilyn & Ellen	0	313,596	(313,596)
Diana Drive	0	515,000	(515,000)

FINDING NUMBER 2000-20431-005
(Continued)

<u>FY 1999</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$ 2,332,263	\$ 2,770,360	(\$438,097)
Recreation	28,925	39,381	(10,456)
Street Levy	714,142	3,220,690	(2,506,548)
Fire Equipment	27,767	106,406	(78,639)
Galbraith Road	75,000	1,137,865	(1,062,865)
Dallas Park & Sundale	0	230,945	(230,945)
Clovernoll	0	772,761	(772,761)
Marilyn & Ellen	0	215,132	(215,132)

The City did not post estimated receipt amounts to the general ledger. The City should post estimated receipts to its ledgers. This will help facilitate proper monitoring of the City's budget.

The City's current system of internal controls does not address the need for consistent preparation and monitoring of budgetary financial information. The lack of such controls (1) reduces the City's ability to determine its financial status at any given time; (2) may result in the delay of funds received by the County Auditor; and, (3) may result in obligations being incurred without the available resources.

FINDING NUMBER 2000-20431-006

Reportable Condition/ Material Weakness

There was no reconciliation process between the income tax ledgers and the City's general ledgers. During fiscal year 2000, we noted a variance of \$1,289 between these two ledgers. Failure to reconcile income tax ledgers to the bank accounts and the City's general ledger could lead to misappropriation of funds, improper posting of receipts, and undetected bank errors.

The Tax Administrator should prepare a monthly report of receipts and disbursement transactions. The Treasurer should then be responsible for reconciling the monthly report to the bank account. This monthly report should also be reconciled to the amount of income tax receipts and disbursements posted to the City's ledgers monthly.

The Treasurer's manual cash journal does not agree to the Auditor's general ledger for 21 out of the 24 months during the audit period. The Auditor should reconcile the total receipts and disbursements by fund monthly. All variances noted between the ledgers should be corrected in the manual cash journal or general ledger as needed.



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OFFICE OF THE AUDITOR

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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
SEPTEMBER 13, 2001**