



**Auditor of State  
Betty Montgomery**



**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**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, 2002 and 2001. 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 Administrative Code Section 117-02-3(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note B, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit asset, 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 of North College Hill, Hamilton County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1B.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2003 on our consideration of the City's internal control structure and a report dated June 30, 2003 on its compliance with laws and regulations. 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.

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

**Betty Montgomery**  
Auditor of State

June 30, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$1,699,750	\$499,636	\$0	\$2,199,386
Intergovernmental Receipts	335,428	405,086	0	740,514
Charges for Services	117,010	71,094	0	188,104
Fines, Licenses, and Permits	203,741	21,855	0	225,596
Earnings on Investments	8,651	60	0	8,711
Miscellaneous	290,751	21,287	0	312,038
	<u>2,655,331</u>	<u>1,019,018</u>	<u>0</u>	<u>3,674,349</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,876,539	307,728	0	2,184,267
Public Health Services	6,814	0	0	6,814
Leisure Time Activities	139,856	55,487	0	195,343
Community Environment	1,149	0	0	1,149
Basic Utility Services	16,195	0	0	16,195
Transportation	0	247,071	173,009	420,080
General Government	848,964	14,742	0	863,706
Debt Service:				
Principal Payments	488,481	21,842	235,000	745,323
Interest Payments	40,076	6,705	31,874	78,655
	<u>3,418,074</u>	<u>653,575</u>	<u>439,883</u>	<u>4,511,532</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(762,743)</u>	<u>365,443</u>	<u>(439,883)</u>	<u>(837,183)</u>
<b>Other Financing Receipts:</b>				
Sale of Bonds or Notes	1,000,000	0	0	1,000,000
	<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>
<b>Total Other Financing Receipts</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	237,257	365,443	(439,883)	162,817
Fund Cash Balances, January 1	66,088	441,410	567,871	1,075,369
<b>Fund Cash Balances, December 31</b>	<u><b>\$303,345</b></u>	<u><b>\$806,853</b></u>	<u><b>\$127,988</b></u>	<u><b>\$1,238,186</b></u>
Reserves for Encumbrances, December 31	<u>\$5,046</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,046</u>

*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, 2002

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$272,621</u>
Total Non-Operating Cash Receipts	<u>272,621</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>268,868</u>
Total Non-Operating Cash Disbursements	<u>268,868</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	3,753
Fund Cash Balances, January 1	<u>14,547</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$18,300</u></u></b>

*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, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$1,557,499	\$449,951	\$0	\$2,007,450
Special Assessments	0	0	52	52
Intergovernmental Receipts	537,974	376,457	300,000	1,214,431
Charges for Services	48,475	9,778	0	58,253
Fines, Licenses, and Permits	223,464	350	0	223,814
Earnings on Investments	0	679	0	679
Miscellaneous	150,916	20,537	312,588	484,041
	<u>2,518,328</u>	<u>857,752</u>	<u>612,640</u>	<u>3,988,720</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,984,999	219,256	0	2,204,255
Public Health Services	11,565	0	0	11,565
Leisure Time Activities	173,809	56,592	0	230,401
Community Environment	17,529	0	0	17,529
Transportation	0	556,353	542,803	1,099,156
General Government	1,207,134	6,309	7,442	1,220,885
Debt Service:				
Principal Payments	0	0	675,000	675,000
Interest Payments	0	0	57,398	57,398
	<u>3,395,036</u>	<u>838,510</u>	<u>1,282,643</u>	<u>5,516,189</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(876,708)</u>	<u>19,242</u>	<u>(670,003)</u>	<u>(1,527,469)</u>
<b>Other Financing Receipts:</b>				
Sale of Bonds or Notes	488,481	0	415,000	903,481
Transfers-In	0	150,000	663,959	813,959
Transfers-Out	(150,000)	(663,959)	0	(813,959)
	<u>338,481</u>	<u>(513,959)</u>	<u>1,078,959</u>	<u>903,481</u>
<b>Total Other Financing Receipts</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(538,227)</u>	<u>(494,717)</u>	<u>408,956</u>	<u>(623,988)</u>
<b>Fund Cash Balances, January 1</b>	<u>604,315</u>	<u>936,127</u>	<u>158,915</u>	<u>1,699,357</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$66,088</u></u>	<u><u>\$441,410</u></u>	<u><u>\$567,871</u></u>	<u><u>\$1,075,369</u></u>
<b>Reserves for Encumbrances, December 31</b>	<u><u>\$44,295</u></u>	<u><u>\$17,241</u></u>	<u><u>\$0</u></u>	<u><u>\$61,536</u></u>

*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, 2001**

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$154,080</u>
Total Non-Operating Cash Receipts	<u>154,080</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>151,877</u>
Total Non-Operating Cash Disbursements	<u>151,877</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	2,203
Fund Cash Balances, January 1	<u>12,344</u>
<b>Fund Cash Balances, December 31</b>	<u><u><b>\$14,547</b></u></u>

*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, 2002 AND 2001**

**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 transportation, 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 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).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**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 Fund**

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

**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

Clovernoll Fund

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

Dianna 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 Dianna Drive.

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

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

Mayor's Court Fund

This agency fund accounts for the City court activity.

**E. Budgetary Process**

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

**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The City did not encumber all commitments required by Ohio law. However, a review was performed to determine amounts that should have been encumbered at December 31, 2002 and 2001, and those amounts were added to the financial statements a "Reserves for Encumbrances".

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**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 cash and investments at December 31 was as follows:

	2002	2001
Demand deposits	\$477,260	\$445,921
Repurchase agreement	779,228	643,995
Total deposits and investments	\$1,256,488	\$1,089,916

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

**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,680,000	\$3,655,331	\$975,331
Special Revenue	1,036,300	1,019,018	(17,282)
Capital Projects	190,000	0	(190,000)
Total	\$3,906,300	\$4,674,349	\$768,049

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,573,051	\$3,423,120	(\$850,069)
Special Revenue	512,425	653,575	(141,150)
Capital Projects	91,809	439,883	(348,074)
Total	\$3,177,285	\$4,516,578	(\$1,339,293)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,567,000	\$3,006,809	\$439,809
Special Revenue	1,060,750	1,007,752	(52,998)
Capital Projects	3,000	1,691,600	1,688,600
Total	\$3,630,750	\$5,706,161	\$2,075,411

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,817,401	\$3,589,331	(\$771,930)
Special Revenue	1,226,823	1,519,710	(292,887)
Capital Projects	0	1,282,643	(1,282,643)
Total	\$4,044,224	\$6,391,684	(\$2,347,460)

The Street and Galbraith Road funds had estimated receipts which exceeded actual receipts at December 31, 2002, and expenditures and encumbrances that exceeded the actual resources.

The General, Street, Street Levy, Senior Citizen, and Fire Equipment fund had total appropriations in excess of total estimated resources at December 31, 2001.

**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

The General, Street Levy, Senior Citizen, Police, Fire Equipment, Court Computer, Galbraith Road, Dianna Drive, and Parrish Avenue funds had total expenditures which exceeded total appropriations at December 31, 2002. This also occurred in the General, Sidewalk Repair, Street Levy, Senior Citizen, Police, Fire Equipment, Court Computer, Galbraith Road, Dianna Drive, and Parrish Avenue funds at December 31, 2001.

**4. PROPERTY TAX**

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

The City levies a municipal income tax of one 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.

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1998 Street Improvement Bonds	\$160,000	4.45%
2001 Street Improvement Bonds	340,000	4.65%
Capital Improvement Bonds	1,000,000	2.99%
Street Sweeper Lease-Purchase	100,063	5.50%
Total	<u>\$1,600,063</u>	

The City issued \$800,000 in 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 bonds are uncollateralized.

**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

**6. DEBT (Continued)**

The City issued \$415,000 in bonds in May 2001 for street improvements. The bonds will be repaid over five years maturing in June 2006. The bonds are uncollateralized.

The City issued \$488,481 in bond anticipation notes in December 2001 for real estate acquisition. The bond anticipation notes were repaid in December 2002. The bond anticipation notes are uncollateralized.

The City issued \$1,000,000 in bonds in December 2002 for the purpose of acquiring real property and making improvements on the fire house and municipal building. The bonds will be repaid in yearly installments of \$100,000, plus interest, for more than five years, maturing in December 2012. The bonds are uncollateralized.

A loan was issued in the amount of \$121,905 for a street sweeper with the City of Mt. Healthy. The City will make annual payments on the loan maturing in May 2006. The loan was uncollateralized.

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

Year Ending	Street Improvement Bonds	Capital Improvement Bond	Street Sweeper Loan
December 31:			
2003	\$255,025	\$134,950	\$28,547
2004	97,090	133,200	28,547
2005	93,137	131,050	28,547
2006	94,185	128,400	28,547
2007	0	125,350	0
2008	0	121,800	0
2009	0	117,900	0
2010	0	113,700	0
2011	0	109,300	0
2012	0	104,700	0
Total	<u>\$539,437</u>	<u>\$1,220,350</u>	<u>\$114,188</u>

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The City contributed an amount equal to 13.55% of participants' gross salaries for 2001. The City has paid all contributions required through December 31, 2002.



**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The City belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081, of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 financial statements of the City of North College Hill, Hamilton County, Ohio (the City) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 30, 2003, which noted the City prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). 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 2002-001 through 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 30, 2003.

**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 judgment, 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 2002-001, 2002-003 and 2002-006.

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 conditions 2002-001, 2002-003, and 2002-006 described above to be material weaknesses.

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 date June 30, 2003.

This report is intended solely 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.

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

**Betty Montgomery**  
Auditor of State

June 30, 2003

**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation/Reportable Condition**

Ohio Administrative Code, Section 117-2-03(B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares 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 equities, and disclosures that, while material, can not be determine at this time. The City can be fined and various other legal administrative remedies may be taken against the City.

**FINDING NUMBER 2002-002**

**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:

<b><u>FY 2002</u></b>	<b><u>Appropriations</u></b>	<b><u>Actual Expenditures</u></b>	<b><u>Variance</u></b>
General	\$2,573,051	\$3,418,074	\$(850,069)
Street Levy	73,250	174,942	(101,692)
Senior Citizen	12,875	56,386	(43,511)
Police "A"	2,000	2,895	(895)
Fire Equipment	0	11,402	(11,402)
Court Computer	0	2,644	(2,644)
Galbraith Road	7,160	174,320	(167,160)
Parrish Avenue	0	173,009	(173,009)
Dianna Drive	84,649	92,554	(7,905)

<b><u>FY 2001</u></b>	<b><u>Appropriations</u></b>	<b><u>Actual Expenditures</u></b>	<b><u>Variance</u></b>
General	\$2,817,401	\$3,545,036	\$(727,635)
Street Levy	465,653	714,609	(248,956)
Senior Citizen	30,400	57,206	(26,806)
Police "A"	0	3,215	(3,215)
Fire Equipment	198,470	216,041	(17,571)
Sidewalk Repair	0	22	(22)
Galbraith Road	0	181,440	(181,440)
Parrish Avenue	0	374,752	(374,752)
Clovernoll	0	7,420	(7,420)
Marilyn Avenue	0	6,580	(6,580)
Dianna Drive	0	712,429	(712,429)

The City Auditor should deny payment requests exceeding appropriations. The City Auditor may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2002-003**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. The City did not file the certificate with the County Auditor for 2001.

The City did not maintain a list of outstanding encumbrances at year end for fiscal years 2002 and 2001. They also did not certify year end encumbrance 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 monitor their expenditures and possibly avoid budget deficits.

**FINDING NUMBER 2002-004**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.36(A)(4), requires a subdivision to obtain an amended certificate when revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations. At December 31, 2002, the Street Fund estimated receipts exceeded actual receipts by \$105,225 and actual disbursements plus encumbrance exceeded available funds by \$38,858, and the Galbraith Road Fund estimated receipts exceeded actual receipts by \$175,000 and actual disbursements plus encumbrances exceeded available funds by \$108,756.

**FINDING NUMBER 2002-005**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.39, states the total appropriations from each fund should not exceed the total estimated revenue available for expenditure as certified by the budget commission.

Appropriations exceeded the estimated revenue in the following funds:

<b>FY 2001</b>	<b>Estimated Revenues</b>	<b>Appropriations</b>	<b>Variance</b>
General	\$2,567,000	\$2,817,401	\$(250,401)
Street	429,500	532,300	(102,800)
Fire Equipment	70,300	198,470	(128,170)

**FINDING NUMBER 2002-006**

**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 to be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be null and void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides two exceptions to the above requirements:

- A. 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 amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$3,000, 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 prior certification of the Auditor for 88% of their expenditures during the audit period. Failure to properly encumber expenditures and monitor appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the City obtain approved purchase orders, which contain the Auditor's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

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**CITY OF NORTH COLLEGE HILL  
HAMILTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-20431-001	Ohio Admin. Code 117-02-3, failure to report on GAAP.	No	Reissued as Finding Number 2002-001
2000-20431-002	Ohio Rev. Code 5705.41(B), expenditures exceeded appropriations.	No	Reissued as Finding Number 2002-002.
2000-20431-003	Ohio Rev. Code 5705.36, failure to certify total amounts from all sources available for expenditure to County Auditor.	No	Reissued as Finding Number 2002-003.
2000-20431-004	Ohio Rev. Code 5705.41(D), failure to certify funds.	No	Reissued as Finding Number 2002-006.
2000-20431-005	Ohio Rev. Code 5705.39, appropriations exceeded estimated receipts.	No	Reissued as Finding Number 2002-005.
2000-20431-006	No reconciliation between the tax department and the general ledgers.	Yes	





**Auditor of State  
Betty Montgomery**

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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  
AUGUST 26, 2003**