

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

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

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



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the City of North College Hill, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 16, 2012

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CITY OF NORTH COLLEGE HILL
AUDIT REPORT
For the Year Ended December 31, 2010

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

REPORT OF INDEPENDENT ACCOUNTANTS

City of North College Hill
Hamilton County, Ohio
1704 West Galbraith Road
North College Hill, Ohio 45239

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of North College Hill, Hamilton County, Ohio, (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements 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 *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 the cash basis of accounting. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of North College Hill, as of December 31, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the City's financial statements taken as a whole. The budgetary comparisons (the schedules) on pages 23 and 24 provide additional information but are not a required part of the basic financial statements. However, these schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Harris Associates

Charles E. Harris & Associates, Inc.

May 4, 2012

City of North College Hill
Hamilton County, Ohio
Statement of Net Assets - Cash Basis
December 31, 2010

	Governmental Activities
Assets	
Cash	\$1,086,937
Total Assets	<u>\$1,086,937</u>
Net Assets	
Restricted for:	
Capital Projects	\$283,569
Other Purposes	368,822
Unrestricted	<u>434,546</u>
Total Net Assets	<u>\$1,086,937</u>

See Accompanying Notes to the Financial Statements.

City of North College Hill
Hamilton County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$953,300	\$85,852	-	(\$867,448)
Security of Persons and Property	2,489,789	365,120	-	(2,124,669)
Leisure Time Activities	112,498	3,585	-	(108,913)
Community Environment	101,777	21,174	-	(80,603)
Basic Utility Services	157,949	-	-	(157,949)
Transportation	1,023,626	-	\$391,636	(631,990)
Capital Outlay	463,222	-	-	(463,222)
Debt Service:				
Principal	202,454	-	-	(202,454)
Interest	44,858	-	-	(44,858)
Total Governmental Activities	\$5,549,473	\$475,731	\$391,636	(4,682,106)
General Receipts				
Property Taxes Levied for:				
				436,792
				477,042
				2,476,277
Grants and Entitlements not				
				663,248
				310,000
				280,534
				<u>4,643,893</u>
				Change in Net Assets (38,213)
				Net Assets Beginning of Year <u>1,125,150</u>
				Net Assets End of Year <u><u>\$1,086,937</u></u>

CITY OF NORTH COLLEGE HILL
Hamilton County, Ohio
Balance Sheet - Cash Basis
Governmental Funds
December 31, 2010

	General Fund	Street Levy & Improvement Fund	Fire Equipment Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash	\$434,546	\$283,569	\$296,424	\$72,398	\$1,086,937
Total Assets	<u>\$434,546</u>	<u>\$283,569</u>	<u>\$296,424</u>	<u>\$72,398</u>	<u>\$1,086,937</u>
Fund Balances:					
Unassigned:					
Unassigned (Deficit), Reported in:					
General Fund	\$434,546	-	-	-	\$434,546
Special Revenue Funds	-	-	\$296,424	\$72,398	368,822
Capital Projects Funds	-	\$283,569	-	-	283,569
Total Fund Balances	<u>\$434,546</u>	<u>\$283,569</u>	<u>\$296,424</u>	<u>\$72,398</u>	<u>\$1,086,937</u>

CITY OF NORTH COLLEGE HILL
Hamilton County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2010

	General Fund	Street Levy & Improvement Fund	Fire Equipment Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Municipal Income Taxes	\$2,476,277	-	-	-	\$2,476,277
Property and Other Local Taxes	365,665	\$477,042	-	\$71,127	913,834
Charges for Services	91,677	-	\$210,487	-	302,164
Fines, Licenses and Permits	170,006	-	-	3,561	173,567
Intergovernmental	663,248	-	-	391,636	1,054,884
Miscellaneous	105,024	170,793	-	4,717	280,534
Total Receipts	3,871,897	647,835	210,487	471,041	5,201,260
Disbursements:					
Current:					
General Government	943,851	-	-	9,449	953,300
Security of Persons and Property	2,316,576	-	172,651	562	2,489,789
Leisure Time Activities	41,371	-	-	71,127	112,498
Community Environment	101,777	-	-	-	101,777
Basic Utility Services	157,949	-	-	-	157,949
Transportation	-	576,693	-	446,933	1,023,626
Capital Outlay	426,970	-	32,844	3,408	463,222
Debt Service:					
Principal Retirement	142,454	-	60,000	-	202,454
Interest and Fiscal Charges	21,333	-	23,525	-	44,858
Total Disbursements	4,152,281	576,693	289,020	531,479	5,549,473
Excess Receipts Over (Under) Disbursements	(280,384)	71,142	(78,533)	(60,438)	(348,213)
Other Financing Sources (Uses):					
Notes Issued	310,000	-	-	-	310,000
Transfers In	-	-	-	20,000	20,000
Transfers Out	(20,000)	-	-	-	(20,000)
Total Other Financing Sources (Uses)	290,000	-	-	20,000	310,000
Net Change in Fund Balances	9,616	71,142	(78,533)	(40,438)	(38,213)
Fund Balances - Beginning of Year	424,930	212,427	374,957	112,836	1,125,150
Fund Balances - End of Year	\$434,546	\$283,569	\$296,424	\$72,398	\$1,086,937

See Accompanying Notes to the Financial Statements.

CITY OF NORTH COLLEGE HILL
Hamilton County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ <u>3,904</u>
Total assets	\$ <u><u>3,904</u></u>
Liabilities:	
Undistributed monies	\$ <u>3,904</u>
Total liabilities	\$ <u><u>3,904</u></u>

See Accompanying Notes to the Financial Statements.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 1 - Reporting Entity

The City of North College Hill (the City) is a charter municipal corporation established under the laws of the State of Ohio. The City operates under its own Charter made effective January 1, 2008. The Charter, as amended, provides for a Council-Mayor form of government. The Mayor, President of Council and seven council members are elected by separate ballot from the municipality at large for four year terms. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor appoints a City Administrator who is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operating of the City and for appointing the heads of the various City departments.

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

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, and street maintenance and repairs. Council has direct responsibility for these services.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental activities at year end. The statement of activities compares disbursements and program receipts for each program or function of the City's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are presented in two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

General - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Levy & Improvement Fund – This Capital Projects fund receives property tax money for constructing, maintaining and repairing City streets.

Fire Equipment Fund – This Special Revenue fund receives revenues from residents who receive emergency medical services from City emergency personnel.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the City as a result of the City's Mayor's Court activity.

C. Basis of Accounting

The City's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the City Council during the year.

E. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash". The City has no investments.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2010 were \$0.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted.

G. Inventory and Prepaid Items

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The City's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Note 2 - Summary of Significant Accounting Policies (continued)

M. Fund Balance Reserves

The City reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 - Accountability and Compliance

Compliance

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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time.

Note 4 – Deposits and Investments

Monies held by the City are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 4 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

A. Cash in Segregated Accounts

At December 31, 2010, \$3,904 was deposited in a segregated account for the City's Mayor's Court. This amount is excluded from the internal cash pool and is reported on the statement of fiduciary net assets as "cash in segregated accounts".

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$1,086,937. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, the City's bank balance was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 4 - Deposits and Investments (continued)

Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

The City had no investments at December 31, 2010.

Note 5 – Income Taxes

The City levies a 1.5 percent income tax on substantially all income earned in the City. The City does not give credit to residents for income taxes paid to other municipalities. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration of estimated tax.

The income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. All tax receipts are allocated to the general fund.

Note 6 - Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reevaluated every six years. Real property taxes are payable annually or semi-annually.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of December 31, 2008. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 6 – Property Taxes (continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of North College Hill. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2010 was \$98.13 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 104,710,430
Commercial/industrial/mineral	28,357,720
Tangible personal property	219,270
<u>Public utility</u>	
Personal	<u>4,928,150</u>
Total assessed value	<u>\$ 138,215,570</u>

Note 7 - Risk Management

RISK POOL MEMBERSHIP

Prior to 2009, the City belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009, respectively. The City participates in this coverage.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 7 - Risk Management (continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 60 members as of December 31, 2009. The City does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

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

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

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

Note 8 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 8 - Defined Benefit Pension Plans (continued)

Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$122,275, \$138,198, and \$146,082, respectively. The 93% has been contributed for 2010, and 100% has been contributed for 2009 and 2008.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) for police officers, a cost-sharing multiple-employer defined benefit pension plan. The City's firefighters are part-time and not eligible for OPERS or OP&F membership. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The City's contribution rate was 19.50 percent for police officers. Contribution rates are established by State statute. For 2010, a portion of the City's contribution equal to 12.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The City's pension contributions to OP&F for police officers for the years ended December 31, 2010, 2009 and 2008 were \$247,411, \$380,028, and \$188,329, respectively. The full amount has been contributed for 2009 and 2008 and 91% has been contributed for 2010.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including the postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were \$43,652, \$61,691, and \$65,215 respectively; 93 percent has been contributed for 2008 and 100 percent has been contributed for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 9 - Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postemployment healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide other post employment benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401 (h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active plan members, currently, 19.50 percent of covered payroll for police employers. The City's firefighters are part-time and not eligible for OP&F membership.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401 (h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund postemployment healthcare benefits of police officers for the years ended December 31, 2010, 2009 and 2008 were \$85,604, \$83,575, and \$131,548, respectively; 91 percent has been contributed for 2010 and 100 percent has been contributed for 2009 and 2008.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 10 - Debt

The changes in the City's long-term debt during fiscal year 2010 were as follows:

	Interest Rate	Balance at 12/31/09	Additions	Reductions	Balance at 12/31/10	Due Within One Year
<u>Governmental activities:</u>						
<u>General Obligation Bonds</u>						
2002 Capital Improvement Bonds	2.99%	\$300,000	-	\$100,000	\$200,000	\$100,000
2005 Capital Improvement Bonds	4.25%	35,546	-	35,546	-	-
2007 Bond Anticipation Notes	4.59%	187,080	-	6,908	180,172	7,226
2009 Equipment Acquisition Bonds	3-4.5%	615,016	-	60,000	555,016	60,000
Bond Anticipation Note		-	310,000	-	310,000	310,000
Total Governmental Activities Long-Term Debt		<u>\$1,137,642</u>	<u>\$310,000</u>	<u>\$202,454</u>	<u>\$1,245,188</u>	<u>\$201,601</u>

All general obligation bonds are supported by the full faith and credit of the City and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 2010, were as follows:

Year Ending December 31,	2002 Capital Improvements Bonds			2010 Bond Anticipation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 100,000	\$ 9,300	\$ 109,300	\$ 310,000	\$ 7,750	\$ 317,750
2012	100,000	4,700	104,700	-	-	-
Total	<u>\$ 200,000</u>	<u>\$ 14,000</u>	<u>\$ 214,000</u>	<u>\$ 310,000</u>	<u>\$ 7,750</u>	<u>\$ 317,750</u>

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 10 – Debt (continued)

Year Ending December 31,	2007 Bond Anticipation Notes			2009 Equipment Acquisition Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 7,226	\$ 8,270	\$ 15,496	\$ 60,000	\$ 21,575	\$ 81,575
2012	7,557	7,938	15,495	65,000	19,265	84,265
2013	7,905	7,591	15,496	65,000	17,675	82,675
2014	157,484	7,229	164,713	65,000	15,400	80,400
2015	-	-	-	70,000	12,962	82,962
2016 - 2018	-	-	-	230,016	20,739	250,755
Total	<u>\$ 180,172</u>	<u>\$ 31,028</u>	<u>\$ 211,200</u>	<u>\$ 555,016</u>	<u>\$ 107,616</u>	<u>\$ 662,632</u>

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and unvoted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2010, were an overall debt margin of \$13,374,993 and an unvoted debt margin of \$7,601,856.

Note 11 – Leases

City leases vehicles and other equipment under noncancelable leases. The City disbursed \$53,479 to pay lease costs for the year ended December 31, 2010. Future lease payments are as follows:

Year Ending	Amount
December 31, 2011	\$44,828
December 31, 2012	25,605
December 31, 2013	11,041
Total minimum lease payments	81,474
Less: Amount representing imputed interest cost	(8,147)
Present value of minimum lease payments	<u>\$73,327</u>

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 12 - Interfund Balances and Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

To:	From:
Other Governmental Funds	General Fund
	<u>\$20,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Note 13 – Contingencies

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

B. Litigation

There are pending against the City, various claims and lawsuits arising in the normal course of operations. Management is of the opinion that any resulting liability from these claims and lawsuits will not have a material adverse effect upon the City's financial position.

CITY OF NORTH COLLEGE HILL
Hamilton County, Ohio
Schedule of Receipts, Disbursements and Changes in Fund Balances
Budget vs. Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			Variance of Actual with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Municipal Income Taxes	\$2,425,000	\$2,476,250	\$2,476,277	\$27
Property and Other Local Taxes	372,000	365,400	365,665	265
Charges for Services	85,650	91,670	91,677	7
Fines, Licenses and Permits	180,100	169,995	170,006	11
Intergovernmental	271,800	663,190	663,248	58
Miscellaneous	116,610	105,015	105,024	9
Total Receipts	<u>3,451,160</u>	<u>3,871,520</u>	<u>3,871,897</u>	<u>377</u>
Disbursements				
Current:				
General Government	786,942	947,157	943,851	3,306
Security of Persons and Property	2,427,205	2,456,550	2,316,576	139,974
Leisure Time Activities	42,535	41,405	41,371	34
Community Environment	112,175	101,795	101,777	18
Basic Utility Services	147,800	157,965	157,949	16
Capital Outlay	-	426,975	426,970	5
Debt Service:				
Principal Retirement	142,455	140,605	140,602	3
Interest and Fiscal Charges	23,801	23,691	23,185	506
Total Disbursements	<u>3,682,913</u>	<u>4,296,143</u>	<u>4,152,281</u>	<u>143,862</u>
Excess of Receipts Over (Under) Disbursements	(231,753)	(424,623)	(280,384)	144,239
Other Financing Sources (Uses):				
Notes Issued	-	-	310,000	310,000
Transfers In	-	310,500	-	(310,500)
Transfers Out	(20,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>290,500</u>	<u>290,000</u>	<u>(500)</u>
Net Change in Fund Balances	(251,753)	(134,123)	9,616	143,739
Fund Balance Beginning of Year	<u>424,930</u>	<u>424,930</u>	<u>424,930</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 173,177</u>	<u>\$ 290,807</u>	<u>\$ 434,546</u>	<u>\$ 143,739</u>

CITY OF NORTH COLLEGE HILL
Hamilton County, Ohio
Schedule of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Fire Equipment Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 200,000	\$ 210,485	\$ 210,487	\$ 2
Total revenues	<u>200,000</u>	<u>210,485</u>	<u>210,487</u>	<u>2</u>
Expenditures:				
Current:				
Security of Persons and Property	83,000	172,655	172,651	4
Capital Outlay	10,000	32,845	32,844	1
Debt Service:				
Principal	60,000	60,000	60,000	-
Interest	23,525	23,525	23,525	-
Total expenditures	<u>176,525</u>	<u>289,025</u>	<u>289,020</u>	<u>5</u>
Net Change in Fund Balances	23,475	(78,540)	(78,533)	7
Fund Balance Beginning of Year	<u>374,957</u>	<u>374,957</u>	<u>374,957</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 398,432</u>	<u>\$ 296,417</u>	<u>\$ 296,424</u>	<u>\$ 7</u>

Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and fire equipment fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The City had no encumbrances outstanding at year end.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

City of North College Hill
Hamilton County, Ohio
1704 West Galbraith Road
North College Hill, Ohio 45239

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of North College Hill, Hamilton County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 4, 2012, wherein we noted the City followed the cash basis of accounting 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-NCH-02 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as findings 2010-NCH-01 and 02.

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

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated May 4, 2012.

We intend this report solely for the information and use of management, the audit committee, members of the City Council and others within the City. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

May 4, 2012

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
For The Year Ended December 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2010-NCH-01-Noncompliance Citation:

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

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

Contrary to these requirements, the City elected to prepare its financial statements in accordance with the cash basis of accounting rather than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund balances and disclosures that, while material, cannot be determined at this time.

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

Management Response:

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

Finding Number 2010-NCH-02-Noncompliance Citation/Material Weakness:

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The City incorrectly recorded various reimbursements between funds in the amount of \$140,000 as transfers. The financial statements have been adjusted to reflect the proper presentation and management has agreed to those adjustments.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
For The Year Ended December 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2010-NCH-02-Noncompliance Citation/Material Weakness-Continued:

We recommend that the City review the guidance provided by the Auditor of State in Appendix A to the Ohio Compliance Supplement which, although designed to assist auditors, could assist the City in clarifying the requirements of the Ohio Revised Code concerning transfers, advances and reimbursements.

Management Response:

We did not receive a substantive response from management to the above finding.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended December 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-NCH-01	OAC 117.38/OAC 117-2-3(B)- Annual report not prepared in accordance with GAAP	No	Repeated as Finding 2010-NCH-01



Dave Yost • Auditor of State

CITY OF NORTH COLLEGE HILL

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2012