

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

AUDIT REPORT

For the Year Ended December 31, 2012





Dave Yost • Auditor of State

City Council
City of North College Hill
1500 West Galbraith Road
North College Hill, Ohio 45231

We have reviewed the Independent Auditors' Report of the City of North College Hill, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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

January 16, 2014

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CITY OF NORTH COLLEGE HILL
AUDIT REPORT
For the Year Ended December 31, 2012

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Balance Sheet – Governmental Funds	5
Statement of Receipts, Disbursements and Changes in Fund Balances – Governmental Funds	6
Statement of Fiduciary Net Position-Agency Funds	7
Notes to the Financial Statements	8-23
Supplementary Information:	
Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – General Fund	24
Schedule of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Fire Equipment Fund	25
Notes to Supplementary Information	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27-28
Schedule of Findings	29
Schedule of Prior Audit Findings	30

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

INDEPENDENT AUDITOR'S REPORT

City of North College Hill
Hamilton County, Ohio
1500 West Galbraith Road
North College Hill, Ohio 45231

To the City Council:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2012, and the respective changes in cash financial position for the year then ended in conformity with the accounting basis Note 1 describes.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2012 the City adopted Governmental Accounting Standards Board Statement No. 63 and *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

We conducted our audit to opine on the City's financial statements taken as a whole. The budgetary comparisons (the schedules) on pages 24 and 25 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
August 30, 2013

City of North College Hill
Hamilton County, Ohio
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Cash	<u>\$688,806</u>
 Total Assets	 <u><u>\$688,806</u></u>
 Net Position	
Restricted for:	
Capital Projects	\$109,548
Other Purposes	305,650
Unrestricted	<u>273,608</u>
 Total Net Position	 <u><u>\$688,806</u></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, 2012

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$892,423	\$93,197	-	(\$799,226)
Security of Persons and Property	2,471,031	438,885	-	(2,032,146)
Leisure Time Activities	96,494	15	-	(96,479)
Community Environment	65,281	21,287	-	(43,994)
Basic Utility Services	638,224	481,198	-	(157,026)
Transportation	1,104,878	-	\$389,045	(715,833)
Capital Outlay	46,245	-	-	(46,245)
Debt Service:				
Principal	534,606	-	-	(534,606)
Interest	72,766	-	-	(72,766)
Total Governmental Activities	\$5,921,948	\$1,034,582	\$389,045	(4,498,321)

General Receipts

Property Taxes Levied for:

General Purposes	428,838
Capital Outlay	452,128
Municipal Income Taxes	2,481,029
Grants and Entitlements not Restricted to Specific Programs	363,312
Bonds Issued	465,000
Sale of Capital Assets	9,783
Miscellaneous	139,412
Total General Receipts	4,339,502

Change in Net Assets (158,819)

Net Position Beginning of Year 847,625

Net Position End of Year \$688,806

CITY OF NORTH COLLEGE HILL
Hamilton County, Ohio
Balance Sheet - Cash Basis
Governmental Funds
December 31, 2012

	General Fund	Street Levy & Improvement Fund	Fire Equipment Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash	\$273,608	\$109,548	\$228,470	\$77,180	\$688,806
Total Assets	<u>\$273,608</u>	<u>\$109,548</u>	<u>\$228,470</u>	<u>\$77,180</u>	<u>\$688,806</u>
Fund Balances:					
Restricted	-	\$109,548	\$228,470	\$77,180	\$415,198
Unrestricted	\$273,608	-	-	-	273,608
Total Fund Balances	<u>\$273,608</u>	<u>\$109,548</u>	<u>\$228,470</u>	<u>\$77,180</u>	<u>\$688,806</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, 2012

	General Fund	Street Levy & Improvement Fund	Fire Equipment Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Municipal Income Taxes	\$2,481,029	-	-	-	\$2,481,029
Property and Other Local Taxes	372,042	\$452,128	-	\$56,796	880,966
Charges for Services	95,321	-	\$281,990	481,198	858,509
Fines, Licenses and Permits	174,545	-	-	1,528	176,073
Intergovernmental	339,312	-	-	413,045	752,357
Miscellaneous	107,252	-	-	32,160	139,412
Total Receipts	3,569,501	452,128	281,990	984,727	5,288,346
Disbursements:					
Current:					
General Government	883,317	-	-	9,106	892,423
Security of Persons and Property	2,300,586	-	170,399	46	2,471,031
Leisure Time Activities	39,698	-	-	56,796	96,494
Community Environment	65,281	-	-	-	65,281
Basic Utility Services	152,758	-	-	485,466	638,224
Transportation	-	702,654	-	402,224	1,104,878
Capital Outlay	18,446	-	-	27,799	46,245
Debt Service:					
Principal Retirement	469,606	-	65,000	-	534,606
Interest and Fiscal Charges	53,141	-	19,625	-	72,766
Total Disbursements	3,982,833	702,654	255,024	981,437	5,921,948
Excess Receipts Over (Under) Disbursements	(413,332)	(250,526)	26,966	3,290	(633,602)
Other Financing Sources (Uses):					
Notes Issued	465,000	-	-	-	465,000
Sale of Capital Assets	9,783	-	-	-	9,783
Total Other Financing Sources (Uses)	474,783	-	-	-	474,783
Net Change in Fund Balances	61,451	(250,526)	26,966	3,290	(158,819)
Fund Balances - Beginning of Year	212,157	360,074	201,504	73,890	847,625
Fund Balances - End of Year	\$273,608	\$109,548	\$228,470	\$77,180	\$688,806

See Accompanying Notes to the Financial Statements.

CITY OF NORTH COLLEGE HILL
Hamilton County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ <u>8,927</u>
Total assets	\$ <u><u>8,927</u></u>
Net Position:	
Restricted for other purposes	\$ <u>8,927</u>
Total liabilities	\$ <u><u>8,927</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, 2012

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. 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 position 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 position 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, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net position 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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.

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. There was no interest credited to the General Fund during 2011.

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 nonspendable.

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 8 and 9, 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 Position

Net position is 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

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Note 2 - Summary of Significant Accounting Policies (continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 – Change in Accounting Principles and Compliance

Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concept of net position.

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 position/fund balances, and disclosures that, while material, cannot be determined at this time.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

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;
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.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 4 - Deposits and Investments (continued)

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. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all City deposits was \$697,733. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, 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.

Investments

The City had no investments at December 31, 2012.

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 and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 6 – Property Taxes (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

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, 2012 was \$83.89 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 85,085,410
Commercial/industrial/mineral	25,439,660
<u>Public utility</u>	
Personal	<u>5,414,600</u>
Total assessed value	<u>\$ 115,939,670</u>

Note 7 - Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 7 - Risk Management (continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	2012 OPRM	2011 OPRM
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM 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. 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 2012, 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 2012 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.50% and 12.10%, respectively. The City's contribution rate for 2012 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10% of covered payroll.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 8 - Defined Benefit Pension Plans (continued)

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2012 was 14.0%. The City's contribution for plan members in law enforcement was 18.10% for 2012. The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$138,368, \$123,136, and \$122,275, respectively. 92% has been contributed for 2012, and 100% has been contributed for 2011 and 2010.

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 12.10 percent of their annual covered salary to fund pension obligations. The City's contribution rate was 18.10 percent for police officers. Contribution rates are established by State statute. For 2012, a portion of the City's contribution equal to 4.00 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, 2012, 2011 and 2010 were \$217,001 \$241,323, and \$247,411, respectively. The full amount has been contributed for 2011 and 2010 and 92% has been contributed for 2012.

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.

Note 9 - Postemployment Benefits (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll (18.10% 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 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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, 2012, 2011, and 2010 were \$29,346, \$34,478, and \$43,652, respectively. 93 percent has been contributed for 2012 and 100 percent has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocated 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 9 - Postemployment Benefits (continued)

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, 2012, 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, 2012, 2011 and 2010 were \$47,906, \$53,091, and \$69,207, respectively; 91 percent has been contributed for 2012 and 100 percent has been contributed for 2011 and 2010.

Note 10 - Debt

The changes in the City's long-term debt during fiscal year 2012 were as follows:

	Interest Rate	Balance at 12/31/11	Additions	Reductions	Balance at 12/31/12	Due Within One Year
<u>Governmental activities:</u>						
<u>General Obligation Bonds</u>						
2002 Capital Improvement Bonds	2.99%	\$100,000	-	\$100,000	-	-
2007 Bond Anticipation Notes	4.59%	172,946	-	7,557	165,389	7,905
2009 Equipment Acquisition Bonds	3-4.50%	495,016	-	65,000	430,016	65,000
2011 Energy Upgrade Note	3.70%	241,211	-	22,049	219,162	22,879
2011 Bond Anticipation Note	2.32%	310,000	-	310,000	-	-
2012 Bond Anticipation Note	3-4.50%	-	465,000	30,000	435,000	20,000
Total Governmental Activities Long-Term Debt		<u>\$1,319,173</u>	<u>\$465,000</u>	<u>\$534,606</u>	<u>\$1,249,567</u>	<u>\$115,784</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.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 10 – Debt (continued)

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 2012, were as follows:

Year Ending December 31,	2007 Bond Anticipation Notes			2009 Equipment Acquisition Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	75,000	10,162	85,162
2017	-	-	-	75,000	6,976	81,976
2018	-	-	-	80,016	3,600	83,616
Total	<u>\$ 165,389</u>	<u>\$ 14,820</u>	<u>\$ 180,209</u>	<u>\$ 430,016</u>	<u>\$ 66,775</u>	<u>\$ 496,791</u>

Year Ending December 31,	2011 Energy Upgrade Note		
	Principal	Interest	Total
2013	\$ 22,879	\$ 7,724	\$ 30,603
2014	23,740	6,863	30,603
2015	24,633	5,969	30,602
2016	25,560	5,042	30,602
2017	28,522	4,050	32,572
2018-2021	93,828	6,178	100,006
Total	<u>\$ 219,162</u>	<u>\$ 35,826</u>	<u>\$ 254,988</u>

Year Ending December 31,	2012 Bond		
	Principal	Interest	Total
2013	\$ 20,000	\$ 16,800	\$ 36,800
2014	25,000	16,200	41,200
2015	25,000	15,450	40,450
2016	25,000	14,700	39,700
2017	30,000	13,950	43,950
2018-2022	135,000	54,900	189,900
2023-2027	90,000	31,950	121,950
2028-2031	85,000	9,900	94,900
Total	<u>\$ 435,000</u>	<u>\$ 173,850</u>	<u>\$ 608,850</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, 2012, were an overall debt margin of \$10,924,098 and an unvoted debt margin of \$6,376,682.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 11 – Leases

The City leases vehicles and other equipment under noncancelable leases. The City disbursed \$38,227 to pay lease costs for the year ended December 31, 2012. Future lease payments are as follows:

Year Ending	Amount
December 31, 2013	\$12,623
December 31, 2014	12,623
December 31, 2015	12,623
Total lease payments	\$37,869

Note 12 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Street Levy & Improvement Fund	Fire Equipment Fund	Other Governmental Funds	Total
Restricted for					
Road Improvements		\$109,548			\$109,548
Fire Operations			\$228,470		228,470
Other Purposes				\$77,180	77,180
<i>Total Restricted</i>	-	109,548	228,470	77,180	415,198
Unassigned (deficits):	\$273,608				273,608
<i>Total Fund Balances</i>	\$273,608	\$109,548	\$228,470	\$77,180	\$688,806

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, 2012.

Note 13 – Contingencies (continued)

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, 2012

	<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	\$2,450,000	\$2,480,000	\$2,481,029	\$1,029
Property and Other Local Taxes	297,800	295,100	372,042	76,942
Charges for Services	101,700	92,700	95,321	2,621
Fines, Licenses and Permits	195,600	173,100	174,545	1,445
Intergovernmental	284,900	333,650	339,312	5,662
Miscellaneous	41,110	182,110	107,252	(74,858)
Total Receipts	<u>3,371,110</u>	<u>3,556,660</u>	<u>3,569,501</u>	<u>12,841</u>
Disbursements				
Current:				
General Government	749,719	901,383	883,317	18,066
Security of Persons and Property	2,309,885	2,318,110	2,300,586	17,524
Leisure Time Activities	22,390	40,140	39,698	442
Community Environment	100,105	65,340	65,281	59
Basic Utility Services	158,500	158,700	152,758	5,942
Capital Outlay	30,605	18,508	18,446	62
Debt Service:				
Principal Retirement	417,560	469,649	469,606	43
Interest and Fiscal Charges	12,640	53,188	53,141	47
Total Disbursements	<u>3,801,404</u>	<u>4,025,018</u>	<u>3,982,833</u>	<u>42,185</u>
Excess of Receipts Over (Under) Disbursements	(430,294)	(468,358)	(413,332)	55,026
Other Financing Sources (Uses):				
Sale of Capital Assets	-	9,500	9,783	283
Notes Issued	310,000	461,635	465,000	3,365
Transfers In	125,000	-	-	-
Total Other Financing Sources (Uses)	<u>435,000</u>	<u>471,135</u>	<u>474,783</u>	<u>3,648</u>
Net Change in Fund Balances	4,706	2,777	61,451	58,674
Fund Balance Beginning of Year	<u>212,157</u>	<u>212,157</u>	<u>212,157</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 216,863</u>	<u>\$ 214,934</u>	<u>\$ 273,608</u>	<u>\$ 58,674</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 275,000	\$ 275,000	\$ 281,990	\$ 6,990
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>281,990</u>	<u>6,990</u>
Expenditures:				
Current:				
Security of Persons and Property	85,000	173,200	170,399	2,801
Capital Outlay	10,000	-	-	-
Debt Service:				
Principal	65,000	65,000	65,000	-
Interest	19,625	19,625	19,625	-
Total expenditures	<u>179,625</u>	<u>257,825</u>	<u>255,024</u>	<u>2,801</u>
Excess of Receipts Over (Under) Disbursements	95,375	17,175	26,966	9,791
Other Financing Sources (Uses)				
Transfers Out	(125,000)	-	-	(125,000)
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>
Net Change in Fund Balances	(29,625)	17,175	26,966	9,791
Fund Balance Beginning of Year	<u>201,504</u>	<u>201,504</u>	<u>201,504</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 171,879</u>	<u>\$ 218,679</u>	<u>\$ 228,470</u>	<u>\$ 9,791</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 restricted, committed, or assigned fund balance (cash basis). The City had no encumbrances outstanding at year end.

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

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
1500 West Galbraith Road
North College Hill, Ohio 45231

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of of the governmental activities, each major fund and the aggregate remaining fund information the City of North College Hill, Hamilton County (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 30, 2013, wherein we noted the City followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We also noted the City implemented Governmental Standards Board (GASB) Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as finding 2012-NCH-01.

Entity's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 30, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 30, 2013

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
For The Year Ended December 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2012-NCH-01-Noncompliance Citation:

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.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended December 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-NCH-01	OAC 117.38/OAC 117-2-3(B)- Annual report not prepared in accordance with GAAP	No	Repeated as Finding 2012-NCH-01
2011-NCH-02	Reimbursements misclassified as transfers	Yes	



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
JANUARY 28, 2014**