



Dave Yost • Auditor of State

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of North College Hill
Hamilton County
1500 West Galbraith Road
Cincinnati, Ohio 45239

To the City Council:

Report on the Financial Statements

We have audited the accompanying cash-basis 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, 2014, 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 2 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, Hamilton County, Ohio, as of December 31, 2014, and the respective changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

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 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The schedules of budgetary comparison present additional analysis and are not a required part of the financial statements.

These schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the financial statements. We subjected these schedules to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the 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 April 18, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

April 18, 2017

City of North College Hill
Hamilton County, Ohio
Statement of Net Position - Cash Basis
December 31, 2014

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,579,205
<i>Total Assets</i>	\$ 1,579,205
Net Position	
Restricted for:	
Capital Projects	\$ 738,619
Other Purposes	600,534
Unrestricted	240,051
<i>Total Net Position</i>	\$ 1,579,205

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, 2014

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 872,265	\$ 97,475			\$ (774,790)
Security of Persons and Property	2,579,506	375,530			(2,203,976)
Public Health Services	7,067	502,613			495,546
Leisure Time Activities	65,091	684			(64,408)
Community Environment	549,240	24,737			(524,503)
Basic Utility Services	152,701				(152,701)
Transportation	696,869		\$ 387,393		(309,475)
Capital Outlay	242,306			\$ 144,000	(98,306)
Debt Service - Principal	269,280				(269,280)
Debt Service - Interest	46,256				(46,256)
<i>Total Governmental Activities</i>	<u>\$ 5,480,583</u>	<u>\$ 1,001,039</u>	<u>\$ 387,393</u>	<u>\$ 144,000</u>	<u>(3,948,151)</u>
		General Receipts			
		Property Taxes Levied for:			
				General Purposes	929,186
				Capital Outlay	459,026
				Municipal Income Taxes	2,567,345
				Grants and Entitlements not Restricted to Specific Programs	285,803
				Sale of Capital Assets	68
				Miscellaneous	738,468
				<i>Total General Receipts</i>	<u>4,979,896</u>
				Change in Net Position	1,031,746
				<i>Net Position Beginning of Year</i>	<u>547,459</u>
				<i>Net Position End of Year</i>	<u>\$ 1,579,205</u>

See Accompanying Notes to the Financial Statements.

City of North College Hill
Hamilton County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2014

	General Fund	Street Levy Fund	Fire Equipment Fund	Police Levy Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash Equity in Pooled Cash	\$ 240,051	\$ 738,619	\$ 158,832	\$ 393,759	\$ 47,944	\$ 1,579,205
<i>Total Assets</i>	<u>\$ 240,051</u>	<u>\$ 738,619</u>	<u>\$ 158,832</u>	<u>\$ 393,759</u>	<u>\$ 47,944</u>	<u>\$ 1,579,205</u>
Fund Balances						
Assigned	\$ 27,337		\$ 475			\$ 27,812
Unassigned	212,714	\$738,619	158,357	\$ 393,759	\$ 47,944	1,551,392
<i>Total Fund Balances</i>	<u>\$ 240,051</u>	<u>\$ 738,619</u>	<u>\$ 158,832</u>	<u>\$ 393,759</u>	<u>\$ 47,944</u>	<u>\$ 1,579,205</u>

See Accompanying Notes to the Financial Statements.

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, 2014

	General Fund	Street Levy Fund	Fire Equipment Fund	Police Levy Fund	Other Governmental Funds	Total Governmental Funds
Receipts:						
Municipal Income Taxes	\$ 2,567,345					\$ 2,567,345
Property and Other Local Taxes	318,547	\$ 459,026		\$ 553,973	\$ 56,665	1,388,212
Charges for Services	99,961		\$ 216,873		502,613	819,447
Fines, Licenses and Permits	179,428				2,164	181,592
Intergovernmental	285,803	144,000			387,393	817,197
Miscellaneous	303,579	433,999			890	738,468
Total Receipts	3,754,663	1,037,025	216,873	553,973	949,725	6,512,260
Disbursements:						
Current:						
General Government	870,280				1,985	872,265
Security of Persons and Property	2,366,016		132,160	81,271	59	2,579,506
Public Health Services	7,067					7,067
Leisure Time Activities	8,426				56,665	65,091
Community Environment	48,793				500,447	549,240
Basic Utility Services	152,701					152,701
Transportation		292,099			404,770	696,869
Capital Outlay	8,250	144,000	11,093	78,944	20	242,306
Debt Service:						
Principal Retirement	204,280		65,000			269,280
Interest and Fiscal Charges	30,856		15,400			46,256
Total Disbursements	3,696,671	436,099	223,653	160,215	963,945	5,480,583
Excess Receipts Over (Under) Disbursements	57,992	600,926	(6,780)	393,759	(14,220)	1,031,678
Other Financing Sources (Uses):						
Sale of Capital Assets	68					68
Total Other Financing Sources (Uses)	68	0	0	0	0	68
Net Change in Fund Balances	58,060	600,926	(6,780)	393,759	(14,220)	1,031,746
Fund Balances - Beginning of Year	181,990	137,693	165,612	0	62,163	547,459
Fund Balances - End of Year	\$ 240,051	\$ 738,619	\$ 158,832	\$ 393,759	\$ 47,944	\$ 1,579,204

See Accompanying Notes to the Financial Statements.

**City of North College Hill
Hamilton County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014**

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ <u>14,185</u>
Total assets	\$ <u>14,185</u>
Net Position:	
Restricted for other purposes	\$ <u>14,185</u>
Net liabilities	\$ <u>14,185</u>

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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 non exchange transactions.

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.

Police Levy Fund – This special revenue fund receives revenues from property tax money for the operation of the police department. Levy was passed in 2013 and funds received for the first time in 2014.

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 2014.

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 non-spendable.

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

Note 2 - Summary of Significant Accounting Policies (continued)

both restricted and unrestricted resources are available.

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:

Non-spendable The non-spendable 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 2014, 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.

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

Note 4 - Deposits and Investments (continued)

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. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$1,680,232. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, 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, 2014.

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 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 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, 2014 was \$12.88 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 77,539,730
Commercial/industrial	25,394,320
<u>Public utility</u>	
Personal	6,312,130
Total assessed value	\$ 109,246,180

Note 7 - Risk Management

The City 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 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

The Plan's property retention remained unchanged from prior year. 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 783 members as of December 31, 2014.

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.

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, 2014:

	2014
	OPRM
Assets	14,830,000
Liabilities	<u>(8,942,000)</u>
Members' Equity	<u>5,888,000</u>

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 2014, 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

Note 8 - Defined Benefit Pension Plans (continued)

safety divisions exist only within the Traditional Plan. The 2014 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 2014 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.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 14.0%. The City's contribution for plan members in law enforcement was 18.10% for 2014. The City also has a pickup plan for full time employees hired before 1/01/2011. Administrative employees hired before 1/01/2011 receive a full pickup (10% of gross.) Per union contract union employees hired before 1/01/2011 receive a pickup at 8.5%. Full time employees hired after 1/01/2011 pay their own contributions to OPERS.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014 and 2013 were \$111,406 and \$106,454 respectively. The City's portion of the OPERS pickups were \$31,357 and \$30,987.

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% percent prior to July 1, 2013, 10.75% from July 2, 2013, and 11.5% beginning July 2, 2014 of their annual covered salary to fund pension obligations. The City's contribution rate was 19.5 percent for police officers. The City also has a pickup plan for full time employees hired before 1/01/2011. Per union contract union employees hired before 1/01/2011 receive a pickup at 9.5%. Full time employees hired after 1/01/2011 pay their own contributions to OP&F. City contribution rates are established by State statute. For 2014, a portion of the City's contribution equal to .5 percent of covered payroll was allocated to fund the postemployment healthcare plan. The City's contributions to OP&F for police officers for the years ended December 31, 2014 and 2013 were \$154,481 and \$144,959 respectively. The City's portions of employee's pickup were \$59,129 and \$62,843.

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.

Note 9 - Postemployment Benefits (continued)

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 2014, 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 2013 was 1.00%. The portion of employer contributions allocated to fund postemployment healthcare for members in the Combined Plan for 2014 was 2.00%.

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 year ended December 31, 2014 was \$2,228. 100 percent has been contributed for 2014.

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 2 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

Note 9 - Postemployment Benefits (continued)

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, 2014, the employer contribution allocated to the healthcare plan was 4.69% of covered payroll from January 1, 2014 thru May 31, 2014 and 2.85% of covered payroll from June 1, 2014 through December 31, 2014. 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 115 and 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, 2014 was \$5,509.100 percent has been contributed for 2014.

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 10 – Debt

The changes in the City's long-term debt during fiscal year 2014 were as follows:

	Interest Rate	Balance 12/31/13	Additions	Reductions	Balance 12/31/14	Due Within One Year
<u>Governmental activities:</u>						
<u>General Obligation Bonds</u>						
2009 Equipment Acquisition Bonds (Fire Truck)	3-4.50%	365,000		65,000	300,000	70,000
2007 Bond Anticipation Note	4.59%	157,485		157,485	0	0
2011 Energy Upgrade Note	0.70%	197,113		21,795	175,318	24,633
2012 Bond Anticipation Note PW Building	3-4.50%	415,000		25,000	390,000	25,000
Total Governmental Activities Long-Term Debt		1,134,598		269,280	865,318	119,633

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, 2014, were as follows:

Year Ending December 2014	2009 Equipment Bond			2012 Bond		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$70,000	\$12,963	\$82,963	\$25,000	\$15,450	\$40,450
2016	75,000	10,163	86,163	25,000	14,700	39,700
2017	75,000	6,975	81,975	30,000	13,950	33,950
2018	80,000	3,600	83,600	30,000	13,050	33,050
2019	---	---	---	30,000	12,150	32,150
2020-2024				105,000	44,775	149,775
2025-2029				100,000	23,625	123,625
2030-2031				45,000	3,150	48,150

City of North College Hill
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 10 – Debt (continued)

Year Ending December 2014	2011 Energy Upgrade Note			2014 Equipment Note		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$24,633	\$ 5,969	\$30,602	\$19,035	\$ 1,033	\$20,068
2016	25,560	5,042	30,602	17,622	2,445	20,067
2017	26,522	4,080	30,602	18,204	1,863	20,067
2018	27,520	3,082	30,602	19,427	641	20,068
2019	28,556	2,046	30,602			
2020-2021	39,753	1,050	40,803			

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, 2014, were an overall debt margin of \$11,470,849 and an unvoted debt margin of \$6,008,540.

The City funds street improvement projects through the use of grants and 0% interest loans made available through the Ohio Public Works Commission (OPWC). OPWC debt is paid with the proceeds from the City's Street Improvements Levy.

Note 11 – Leases

The City leases vehicles and other equipment under non-cancelable leases. The City disbursed \$24,420 to pay lease costs for the year ended December 31, 2014. Future lease payments are as follows:

Year Ending	Amount
December 31, 2015	\$29,419.00
December 31, 2016	5,599.00
Total lease payments	<u>\$35,018.00</u>

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	Street	Fire	Police	Other	Total
	Fund	Levy	Equipment	Levy	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Assigned for:						
Police Operations	\$ 27,337					\$ 27,337
Fire Operations			\$ 475			475
Total Assigned	27,337	-	475	-	-	27,812
Unassigned	212,714	\$ 738,619	158,357	\$ 393,759	\$ 47,944	1,551,393
Total Fund Balance	\$ 240,051	\$ 738,619	\$ 158,832	\$ 393,759	\$ 47,944	\$ 1,579,205

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, 2014.

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.

A taxpayer lawsuit was filed against the City on June 26, 2014 by Shawn O'Shea, alleging unlawful contracts, abuse of corporate powers and misapplied funds. The City agreed to a settlement of \$100,000 in February, 2017, which included \$75,000 out-of-pocket, to cover the cost of legal fees incurred by Ms. O'Shea.

City of North College Hill
Hamilton County, Ohio
Schedule of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Budget vs. Actual
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance of Actual with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$ 2,515,000	\$ 2,515,000	\$ 2,567,345	\$ 52,345
Property and Other Local Taxes	305,500	305,500	318,547	13,047
Charges for Services	100,800	100,800	99,961	(839)
Fines, Licenses and Permits	196,000	196,000	179,428	(16,572)
Intergovernmental	122,500 #	122,500	285,803	163,303
Miscellaneous	132,860	132,860	303,579	170,719
<i>Total Receipts</i>	3,372,660	3,372,660	3,754,663	382,003
Disbursements				
Current:				
General Government	849,785	874,165	870,281	3,884
Security of Persons and Property	2,507,735	2,338,550	2,366,016	(27,466)
Public Health Services	0	0	7,067	(7,067)
Leisure Time Activities	12,850 #	9,550	8,426	1,124
Community Environment	38,250 #	74,000	48,793	25,207
Basic Utility Services	162,500	159,000	152,701	6,299
Capital Outlay	75,605	5,000	8,250	(3,250)
Debt Service:				
Principal Retirement	40,000	221,945	204,280	17,665
Interest and Fiscal Charges	25,000	31,375	30,856	519
<i>Total Disbursements</i>	3,711,725	3,713,585	3,696,670	16,915
<i>Excess of Receipts Over (Under) Disbursements</i>	(339,065)	(340,925)	57,993	398,918
Other Financing Sources (Uses)				
Sale of Capital Assets	15,000	15,000	68	(14,932)
Transfers In	280,000	280,000	0	(280,000)
<i>Total Other Financing Sources (Uses)</i>	295,000	295,000	68	(294,932)
<i>Net Change in Fund Balance</i>	(44,065)	(45,925)	58,061	103,986
<i>Fund Balance Beginning of Year</i>	181,990	181,990	181,990	0
<i>Fund Balance End of Year</i>	\$ 137,925	\$ 136,065	\$ 240,051	\$ 103,986

City of North College Hill
Hamilton County, Ohio
Schedule of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
Street Levy Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance of Actual with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Local Taxes	\$ 549,500	\$ 449,500	\$ 459,026	\$ 9,526
Miscellaneous	0	100,000	577,999	477,999
<i>Total Receipts</i>	<u>549,500</u>	<u>549,500</u>	<u>1,037,025</u>	<u>487,525</u>
Expenditures:				
Current:				
Transportation	462,000	562,000	292,099	269,901
Capital Outlay	0	0	144,000	(144,000)
Debt Service:				
Principal Retirement	0	0	0	0
Interest	0	0	0	0
<i>Total Expenditures</i>	<u>462,000</u>	<u>562,000</u>	<u>436,099</u>	<u>125,901</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>87,500</u>	<u>(12,500)</u>	<u>600,926</u>	<u>613,426</u>
Other Financing Sources (Uses)				
Transfers Out	(10,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>77,500</u>	<u>(12,500)</u>	<u>600,926</u>	<u>613,426</u>
<i>Fund Balance Beginning of Year</i>	<u>137,693</u>	<u>137,693</u>	<u>137,693</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 215,193</u>	<u>\$ 125,193</u>	<u>\$ 738,619</u>	<u>\$ 613,426</u>

City of North College Hill
Hamilton County, Ohio
Schedule of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
Fire Equipment Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance of Actual with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for Services	\$ 260,000	\$ 260,000	\$ 216,873	\$ (43,127)
<i>Total Receipts</i>	<u>260,000</u>	<u>260,000</u>	<u>216,873</u>	<u>(43,127)</u>
Expenditures:				
Current:				
Security of Persons and Property	128,000	151,560	132,160	19,400
Capital Outlay	10,000	14,000	11,093	2,907
Debt Service:				
Principal Retirement	65,000	65,000	65,000	-
Interest	15,400	15,400	15,400	-
<i>Total Expenditures</i>	<u>218,400</u>	<u>245,960</u>	<u>223,653</u>	<u>22,307</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>41,600</u>	<u>14,040</u>	<u>(6,780)</u>	<u>(20,820)</u>
Other Financing Sources (Uses)				
Transfers Out	(60,000)	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(18,400)</u>	<u>14,040</u>	<u>(6,780)</u>	<u>(20,820)</u>
<i>Fund Balance Beginning of Year</i>	<u>165,612</u>	<u>165,612</u>	<u>165,612</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 147,212</u>	<u>\$ 179,652</u>	<u>\$ 158,832</u>	<u>\$ (20,820)</u>

City of North College Hill
Hamilton County, Ohio
Schedule of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
Police Levy Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance of Actual with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Local Taxes	\$ 280,000	\$ 280,000	\$ 553,973	\$ 273,973
<i>Total Receipts</i>	<u>280,000</u>	<u>280,000</u>	<u>553,973</u>	<u>273,973</u>
Expenditures:				
Current:				
Security of Persons & Property	-	142,675	81,271	61,404
Capital Outlay	-	33,000	78,944	(45,944)
Debt Service:				
Principal Retirement	-	112,000	-	112,000
Interest	-	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>287,675</u>	<u>160,215</u>	<u>127,460</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>280,000</u>	<u>(7,675)</u>	<u>393,759</u>	<u>401,434</u>
<i>Net Change in Fund Balance</i>	<u>280,000</u>	<u>(7,675)</u>	<u>393,759</u>	<u>401,434</u>
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 280,000</u>	<u>\$ (7,675)</u>	<u>\$ 393,759</u>	<u>\$ 401,434</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, Street Levy fund, Police Levy 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, treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis).

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
1500 West Galbraith Road
Cincinnati, Ohio 45239

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 the governmental activities, each major fund, and the aggregate remaining fund information of the City of North College Hill, Hamilton County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 18, 2017, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-002 and 2014-003 to be material weaknesses.

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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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.

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.



Dave Yost
Auditor of State

Columbus, Ohio

April 18, 2017

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance

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.

We recommend the City compile financial statements in accordance with generally accepted accounting principles.

Officials' Response:

Historically, the cost of compliance outweighed the benefit for the City; however, the preparation of GAAP financials, and the subsequent cost of compliance, will be presented by the Administration for consideration by Council.

FINDING NUMBER 2014-002

Material Weakness

As noted in Auditor of State Bulletin 2000-008, when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The legislative authority should approve, by resolution, the grant or project application and must establish any fund(s) necessary to meet the grant or project objectives. Auditor of State permission for fund establishment is not necessary, although it may be necessary to obtain a fund number from the Auditor of State if one has not been previously assigned.

Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year. Any on-behalf-of payments expected to be made in the next year should be reflected on the next year's certificate.

The fiscal officer shall record the appropriations in accordance with the terms and conditions of the grant or project agreement.

**FINDING NUMBER 2014-002
(Continued)**

When designing the public office's system of internal controls and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The City lacked management oversight in accounting and financial reporting in the City's accounting records for the audit period based on the following:

- The Ohio Public Works Commission made \$144,000 in payments on behalf of the City for several projects within the City. However, the City failed to post these receipts and their related disbursements to the Street Levy fund.

Failure to post these receipts and related disbursements to the City's financial statements resulted in both understated receipts and disbursements in this fund in the amount above. The City also failed to include this amount in its appropriations, or file an amended certificate with the County for these transactions, causing their budgeted receipts and disbursements to be understated by \$144,000.

- The City also posted two receipts totaling \$237,676 as Sale of Capital Assets; however in 2012 the City had transferred this property to the North College Hill Community Improvement Corporation, therefore the payments from the Community Improvement Corporation to the City should have been recorded as a Miscellaneous Revenue to the General Fund.

Failure to accurately post transactions to the accounting records reduces the completeness and accuracy of the City's financial statements and provides City management and officials with incomplete information regarding the financial activity of the City.

The City's financial statements included in this report were adjusted for the amounts above.

The City should implement controls to ensure the accuracy and completeness of financial activity recorded to the financial records and reported in the financial statements.

Officials' Response:

The City's financials have been corrected, and procedures have been implemented as an attempt to prevent errors in reporting financial transactions made on the City's behalf..

FINDING NUMBER 2014-003

Material Weakness

City management is responsible for preparing and fairly presenting their financial statements as required by Section 117-2-03 of the Ohio Administrative Code; this includes designing, implementing, and maintaining internal controls relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to error or fraud.

The City's financial statements contained the following errors:

**FINDING NUMBER 2014-003
(Continued)**

Statement of Activities

Cash Disbursements

- General Government was reported as \$1,011,492, and should have been reported as \$872,265.
- Security of Persons and Property was reported as \$2,350,450, and should have been reported as \$2,563,881
- Public Health and Services was reported as \$-0-, and should have been reported as \$7,067
- Basic Utility Services was reported as \$557,470, and should have been reported as \$152,701
- Transportation was reported as \$292,099, and should have been reported as \$696,869
- Capital Outlay was reported as \$100,634, and should have been reported as \$242,306
- Debt Service - Principal was reported as \$363,848, and should have been reported as \$284,905

Capital Grants and Contributions

- Capital Outlay was reported as \$-0-, and should have been reported as \$144,000

General Receipts

- Sale of Capital Assets was reported as \$237,744, and should have been reported as \$68.
- Miscellaneous was reported as \$500,792, and should have been reported as \$738,468.

Statement of Assets and Fund Balances

- The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The City did not classify fund balances in accordance with GASB Statement No. 54. The City should reference Auditor of State Bulletin 2011-004 for guidance on fund balance classifications.

Statement of Receipts, Disbursements and Changes in Fund Balances

A receipt line item was titled Total Assets and should have been Property and Other Local Taxes

General Fund

- Miscellaneous receipts was reported as \$65,903, and should have been reported as \$303,579
- Sale of Capital Assets was reported as \$237,743, and should have been reported as \$68

**FINDING NUMBER 2014-003
(Continued)**

Street Levy Fund

- Intergovernmental receipts was reported as \$-0-, and should have been reported as \$144,000
- Capital Outlay was reported as \$-0-, and should have been reported as \$144,000

Statement of Receipts, Disbursements and Changes in Fund Balances - Budget vs Actual

Street Levy Fund

- Total Original Budget was reported as \$443,000, and should have been reported as \$549,500
- Total Final Budget was reported as \$856,725, and should have been reported as \$549,500
- Total Actual Receipts were reported as \$893,025, and should have been reported as \$1,037,025
- Total Actual Disbursements were reported as \$292,099, and should have been reported as \$436,099.

Notes to the Financial Statements

Various numbers throughout the notes did not agree to the statements, and some disclosures were incomplete or contained errors. Specifically, the Deposit and Investment note, the Property Tax note, the Risk Management note, the Pension note and the Debt note contained such errors.

The City's financial statements and notes included in this report were adjusted for the amounts above. Lack of internal controls over accounting and financial reporting increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner. To ensure accuracy in the financial reporting process, we recommend that the City implement procedures for making sure that all transactions of the City are recorded to their accounting records and reported in their financial statements.

Officials' Response:

The City's financials have been corrected and procedures have been implemented as an attempt to prevent financial reporting inaccuracies moving forward.

**CITY OF NORTH COLLEGE HILL
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	OAC 117-2-03 Not Filing GAAP statements	No	Not Corrected. Repeated as 2014-001
2013-002	Lack of management oversight in accounting and financial reporting in the City's accounting records and reports, and On behalf payments were not budgeted for	No	Not Corrected. Repeated as 2014-002
2013-003	Financial Statement Errors	No	Not Corrected. Repeated as 2014-003

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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
MAY 4, 2017**