



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

**City of North College Hill
Hamilton County, Ohio**

Regular Audit
For the Fiscal Year Ended December 31, 2015

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Dave Yost • Auditor of State

City College
City of North College Hill
1500 W Galbraith Rd
Cincinnati, OH 45231

We have reviewed the *Independent Auditor's Report* of the City of North College Hill, Hamilton County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2015. 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

November 1, 2017

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Hamilton County, Ohio
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Independent Auditor's Report

City of North College Hill
Hamilton County, Ohio
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, (the City), as of and for the year ended December 31, 2015, 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 opinion.

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, 2015, 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 section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United State of America. We draw attention to Note 2 of the financial statements, which describes the accounting basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other 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 September 26, 2017, on our consideration of the City's internal control over financial reporting and on 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 Standard* in considering the City's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
September 26, 2017

City of North College Hill
Hamilton County, Ohio
Statement of Net Position - Cash Basis
For the Year Ended December 31, 2015

| | <u>Governmental Activities</u> |
|---------------------------|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 1,035,769 |
| <i>Total Assets</i> | <u>\$ 1,035,769</u> |
| Net Position | |
| Restricted for: | |
| Capital Projects | \$ 578,690 |
| Other Purposes | 357,428 |
| Unrestricted (Deficit) | <u>99,651</u> |
| <i>Total Net Position</i> | <u>\$ 1,035,769</u> |

See accompanying notes to the financial statements.

City of North College Hill
Hamilton County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

| | Expenses | Program Revenues | | | Net (Expense) |
|---|---------------------|--------------------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| Governmental Activities | | | | | Governmental Activities |
| General Government | \$ 892,148 | \$ 15,297 | \$ 17,979 | \$ - | \$ (858,872) |
| Security of Pensions and Property | 2,917,122 | 204,949 | 3,500 | - | (2,708,673) |
| Public Health Services | 517,553 | 519,836 | - | - | 2,283 |
| Leisure Time Activities | 8,917 | - | - | - | (8,917) |
| Community Environment | 134,115 | - | - | - | (134,115) |
| Basic Utility Services | 149,201 | - | - | - | (149,201) |
| Transportation | 556,677 | - | - | - | (556,677) |
| Capital Outlay | 2,036,438 | - | - | 911,074 | (1,125,364) |
| Debt Service - Principal | 183,606 | - | - | - | (183,606) |
| Debt Service - Interest | 34,382 | - | - | - | (34,382) |
| Total Governmental Activities | \$ 7,430,159 | \$ 740,082 | \$ 21,479 | \$ 911,074 | (5,757,524) |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 876,773 |
| Capital Outlay | | | | | 459,722 |
| Municipal Income Taxes | | | | | 2,569,271 |
| Special Assessments | | | | | 50,427 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 746,284 |
| Other Debt Issued | | | | | 176,845 |
| Sale of Capital Assets | | | | | 7,875 |
| Miscellaneous | | | | | 326,891 |
| Transfer In | | | | | 22,000 |
| Transfer Out | | | | | (22,000) |
| Total General Revenues | | | | | 5,214,088 |
| Change in Net Position | | | | | (543,436) |
| Net Position Beginning of Year | | | | | 1,579,205 |
| Net Position End of Year | | | | | \$ 1,035,769 |

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
June 30, 2015

| | General | Street Levy Fund | Police Levy Fund | Fire Equipment Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|------------------|------------------------|------------------------|---------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash Equity in Pooled Cash | \$ 99,651 | \$ 578,690 | \$ 255,632 | \$ 75,319 | \$ 26,477 | \$ 1,035,769 |
| <i>Total Assets</i> | <u>\$ 99,651</u> | <u>\$ 578,690</u> | <u>\$ 255,632</u> | <u>\$ 75,319</u> | <u>\$ 26,477</u> | <u>\$ 1,035,769</u> |
| Fund Balances | | | | | | |
| Assigned | \$ 200 | \$ - | \$ 4,287 | \$ 500 | \$ - | \$ 4,987 |
| Unassigned (Deficit) | 99,451 | 578,690 | 251,345 | 74,819 | 26,477 | 1,030,782 |
| <i>Total Fund Balances</i> | <u>\$ 99,651</u> | <u>\$ 578,690</u> | <u>\$ 255,632</u> | <u>\$ 75,319</u> | <u>\$ 26,477</u> | <u>\$ 1,035,769</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 June 30, 2015

| | General | Street Levy Fund | Police Levy Fund | Fire Equipment Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|------------------------|------------------------|---------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Municipal Income Taxes | \$ 2,569,271 | \$ - | \$ - | \$ - | \$ - | \$ 2,569,271 |
| Property and Other Local Taxes | 288,903 | 459,722 | 533,438 | - | 54,432 | 1,336,495 |
| Special Assessments | 50,427 | - | - | - | - | 50,427 |
| Charges for Services | 15,297 | - | - | 204,949 | 519,836 | 740,082 |
| Fines, Licenses and Permits | 150,468 | - | - | - | 8,708 | 159,176 |
| Intergovernmental | 212,387 | 911,074 | - | 3,500 | 392,700 | 1,519,661 |
| Miscellaneous | 29,282 | 295,355 | - | 385 | 1,869 | 326,891 |
| <i>Total Receipts</i> | <u>3,316,035</u> | <u>1,666,151</u> | <u>533,438</u> | <u>208,834</u> | <u>977,545</u> | <u>6,702,003</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| General Government | 892,148 | - | - | - | - | 892,148 |
| Security of Persons and Property | 2,282,002 | - | 457,359 | 171,717 | 6,044 | 2,917,122 |
| Public Health Services | - | - | - | - | 517,553 | 517,553 |
| Leisure Time Activities | 8,917 | - | - | - | - | 8,917 |
| Community Environment | 79,683 | - | - | - | 54,432 | 134,115 |
| Basic Utility Services | 149,201 | - | - | - | - | 149,201 |
| Transportation | - | 135,694 | - | - | 420,983 | 556,677 |
| Capital Outlay | 3,307 | 1,803,258 | 192,206 | 37,667 | - | 2,036,438 |
| Debt Service: | | | | | | |
| Principal Retirement | 49,633 | 63,973 | - | 70,000 | - | 183,606 |
| Interest and Fiscal Charges | 21,419 | - | - | 12,963 | - | 34,382 |
| <i>Total Disbursements</i> | <u>3,486,310</u> | <u>2,002,925</u> | <u>649,565</u> | <u>292,347</u> | <u>999,012</u> | <u>7,430,159</u> |
| <i>Excess Receipts Over (Under) Disbursements</i> | <u>(170,275)</u> | <u>(336,774)</u> | <u>(116,127)</u> | <u>(83,513)</u> | <u>(21,467)</u> | <u>(728,156)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Other Debt Issued | - | 176,845 | - | - | - | 176,845 |
| Sale of Capital Assets | 7,875 | - | - | - | - | 7,875 |
| Transfer In | 22,000 | - | - | - | - | 22,000 |
| Transfers Out | - | - | (22,000) | - | - | (22,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>29,875</u> | <u>176,845</u> | <u>(22,000)</u> | <u>-</u> | <u>-</u> | <u>184,720</u> |
| <i>Net Change in Fund Balances</i> | <u>(140,400)</u> | <u>(159,929)</u> | <u>(138,127)</u> | <u>(83,513)</u> | <u>(21,467)</u> | <u>(543,436)</u> |
| <i>Fund Balances Beginning of Year</i> | <u>240,051</u> | <u>738,619</u> | <u>393,759</u> | <u>158,832</u> | <u>47,944</u> | <u>1,579,205</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 99,651</u> | <u>\$ 578,690</u> | <u>\$ 255,632</u> | <u>\$ 75,319</u> | <u>\$ 26,477</u> | <u>\$ 1,035,769</u> |

See accompanying notes to the financial statements.

City of North College Hill
Hamilton County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015

| | <u>Agency</u> |
|---------------------------------------|------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | <u>\$ 7,310</u> |
| <i>Total Assets</i> | <u>7,310</u> |
| | |
| Liabilities | |
| Undistributed Monies | <u>7,310</u> |
| <i>Total Liabilities</i> | <u><u>\$ 7,310</u></u> |

See accompanying notes to the financial statements.

Note 1 – Reporting Entity

The City of North College Hill (the City) is a charter municipal 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 (7) Council Members are elected by separate ballot from the municipality-at-large for four (4) year terms.

Council is the legislative body, responsible for setting appropriations. The Mayor is the Chief Executive Officer of the City, and appoints a City Administrator to serve as Chief Operating Officer. The City Administrator manages the day-to-day operations of the City.

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 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, income tax collection, street maintenance and repairs.

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. Generally Accepted Accounting Principles (GAAP) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the City's more significant 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 providing a 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 are generally financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position presents the cash balances 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the City can be classified using 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 Fund - 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.

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 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

As a result of the use of the 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, other than the agency fund, 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 Councils' 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 fiscal 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 statement 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 statement reflect the amounts on the amended certificate of estimated resources in effect when final appropriations were passed by the City Council.

The appropriation 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 fiscal 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 fiscal year.

E. Cash and Investments

To improve cash management, all 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.

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 2015.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Note 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.

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 classification includes amounts that cannot be spent because they are not in spendable form, or 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. Legally 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 a 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 Balances

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

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 the Board of Education 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.

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.

Note 4 – Deposits and Investments (Continued)

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.

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, 2015, the carrying amount of all City deposits was \$981,018. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, 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.

Note 4 – Deposits and Investments (Continued)

The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

B. Investments

The City had no investments at December 31, 2015.

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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 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, 2015 was \$12.88 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

| | | |
|--------------------------|----|---------------------------|
| Real Property | | |
| Residential/Agricultural | \$ | 77,539,730 |
| Commercial/Industrial | | 25,394,320 |
| Public Utility | | |
| Personal | | <u>6,312,130</u> |
| Total Assessed Value | \$ | <u><u>109,246,180</u></u> |

Note 7 - Risk Management

A. The Ohio Plan Risk Management

The City belongs to the Ohio Plan Risk Management, Inc. (the “Plan” or “OPRM”). The plan, as the former Ohio Government Risk Management Plan (the “Ohio Plan”), was organized in June 1988, as authorized by Section 2744.081 of the Ohio Revised Code. The Ohio Plan was an unincorporated non-profit associations of its members. Effective January 1, 2009, the OPRM incorporated, to act as an instrumentality for each member for the sole purpose of enabling members of the Plan to provide for the formalized, jointly administered self-insurance programs to maintain adequate self-insurance protection, risk management programs and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan are political subdivisions such as townships, villages, cities and others in the State of Ohio which are eligible to participate under applicable statute, ruling or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator. The Plan is governed by a Board of Directors comprised of appointed and elected representatives of public entities that participate in the program.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs 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. The OPRM as agreed to pay judgements, settlements and other expenses resulting from claims arising related to the property and casualty coverages provided, in excess of the member’s deductible.

OPRM has developed specific forms and endorsements of property and casualty coverage and substantially reinsures these coverages. Individual members are only responsible for their self-retention (deductible) amounts that vary from member to member.

The members pay an annual membership fee that is based on a percentage of premiums written for the year, which is earned pro-rata over the life of the members’ policies, and members who cancel are reimbursed the pro-rata portion of membership fees. These fees are charged to cover professional fees, directors’ travel and meeting expenses and other administrative expenses.

OPRM had 772 and 783 members as of December 31, 2015 and 2014, respectively.

OPRM is comprised exclusively of Ohio political subdivisions. Although its exposure is concentrated to a single geographic area, such exposure is reduced by the practice of reinsuring the majority of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers

In 2002, OPRM (as the Ohio Plan) elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the OPRM’s paid loss ratio reaches 55%, OPRM would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003 through October 31, 2005, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November 1, 2004 (and through October 31, 2010), the corridor is for losses paid between 65% and 70% of premiums earned in the first \$250,000 of casualty reinsurance. Effective November 1, 2010 (through October 31, 2016), the corridor is for losses paid between 60% and 70% of casualty premiums earned in the first \$250,000.

Plan members are responsible for notifying the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan. The City’s renewal date is March 23rd, and the premium liability is paid through quarterly installments.

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, 2015 and 2014, respectively (2016 financials not available at time of publication):

| | 2015 OPRM | 2014 OPRM |
|----------------|---------------------|---------------------|
| Assets | \$ 14,644,000 | \$ 14,830,000 |
| Liabilities | (9,112,000) | (8,942,000) |
| Member' Equity | <u>\$ 5,532,000</u> | <u>\$ 5,888,000</u> |

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

In January 2017, OPRM covered \$25,000 for a \$100,000 legal costs settlement related to a lawsuit filed in 2014 against the City, during which the City was represented by OPRM legal counsel.

While all employees of the City are covered under the City’s Plan, certain individuals in policy-making roles are covered by separate, higher limit bond coverage. The City’s Administrator retains an additional professional bond.

B. Ohio Bureau of Worker’s Compensation System

The City pays the Ohio Bureau of Worker’s Compensation System (“BWC”) a premium based on an industry classification rate assessed per \$100 of payroll. This rate is based on the cost of workers’ compensation claims in the industry classification. The premiums cover the cost of compensation and medical costs related to industrial accidents and claims that occur during the employer’s experience period. The base rate also includes assessments for the Division of Safety & Hygiene, the Disabled Workers Relief Fund and administrative costs for the operation of BWC and the Industrial Commission of Ohio.

The BWC will complete the transition to an industry standard prospective billing system in 2016 for public taxing districts. To ensure a smooth transition, the BWC issued \$1.2 billion in premium credits to Ohio employers. The transition reduced the base-rate reduction by 4% for public employers. Employers estimate and pay premium at the start of the policy period, with a “true-up” process at the end of the policy period, in order to reconcile estimated and actual premiums.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description The Ohio Public Employees Retirement System (OPERS, System or Fund) is a costsharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Pension Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/ defined contribution plan; and the Member-Directed Plan, a defined contribution plan. OPERS is a qualified governmental plan under Section 401(a) of the Internal Revenue Code (IRC). All state and local governmental employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the member’s employment. Contributions made prior to the member’s plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

Note 8 – Defined Benefit Pension Plans (Continued)

OPERS is administered in accordance with Chapter 145 of the Ohio Revised Code (ORC). Their financial statements comply with the provisions of GASB Statement No. 14, The Financial Reporting Entity, and with the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14. These statements require that financial statements of the reporting entity include all the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board of directors and either (1) the reporting entity’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the reporting entity. OPERS does not have financial accountability over any entities.

OPERS is not part of the state of Ohio financial-reporting entity, nor is OPERS a component unit of the state of Ohio. Responsibility for the organization is vested in the OPERS Board of Trustees (Board); there is no financial interdependency with the state of Ohio. The Board is the governing body of OPERS, with responsibility for administration and management.

OPERS was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, elective refunds of contributions to members who terminate employment with a participating employer, and the cost of administering the System.

All state and local governmental employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the ORC.

OPERS annual financial report is available on their website, www.opers.org.

Funding Policy The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board, subject to limits set by statute. The rates established for member and employer contributions were approved based upon the recommendations of the System’s actuary. All contribution rates were within the limits authorized by the ORC.

The employee and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10% and 14%, respectively. The Public Safety and Law Enforcement employer rates are also set at the maximum authorized rate of 18.1%. The employee Public Safety rate is determined by the Board and has no maximum rate established by the ORC. The employee rate for Law Enforcement members is also determined by the Board, but is limited by the ORC to not more than 2% greater than the Public Safety rate.

The City has a pickup plan for full-time employees hired before January 1, 2011. Administrative employees hired before January 1, 2011 receive a full pickup, or 10% of gross. Employees covered by the AFSCME contract, with a hire date before January 1, 2011, receive a pickup of 8.5%. Full-time employees hired after January 1, 2011 pay their own contributions to OPERS, unless otherwise specified in individual employment agreements.

The City’s required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2015 was \$106,974. The City’s portion of the OPERS employee pickups was \$28,880.

B. Ohio Police and Fire Pension Fund

Plan Description The Ohio Police and Fire Pension Fund (OP&F) is a cost-sharing, multiple–employer public employee retirement system established by the ORC Chapter 742 in 1965 to consolidate the various individual local police and firefighter’s relief and pension funds into one statewide plan.

Note 8 – Defined Benefit Pension Plans (Continued)

OP&F is administered by a nine member Board of Trustees. OP&F administers pension, disability, DROP and health care benefits to qualified members. In addition, OP&F administers survivor benefits, death benefits and sponsors health care programs for eligible survivors, spouses, children and dependent parents. OP&F is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement no. 14. Because OP&F is a legally separate entity, voting majority of the governing board is not appointed by the State and it is fiscally independent of other state and local governments. OP&F also has a variety of professional consultants and money managers.

Membership in OP&F is mandatory under Ohio law for all full-time police officers employed by Ohio municipalities and appointed under the required statutory provisions. Membership is also mandatory for all full-time firefighters employed by Ohio municipalities, townships (fire only), villages, joint fire district or other political subdivision.

OP&F's annual financial report is available on their website, www.op-f.org.

Funding Policy Funds are derived from the excess of additions over deductions and are accumulated by OP&F in order to meet current and future benefit obligations to retirees and other beneficiaries. OP&F experienced a \$625.1 million decrease in the 2015 fiduciary net position due to the decrease in fair values of bonds, stocks, commercial mortgage funds, international securities and master limited partnerships from 2014 to 2015. OP&F administers a self-insured health care plan for its members. A portion of employer contributions and a portion of investment income are both set aside to operate the health care program.

The ORC Chapter 742 requires contributions by active members and their employers. Contribution rates are subject to annual review by the Ohio Retirement Study Council (ORSC). Additionally, an actuary is used to determine the actuarial implications of the requirement. The adequacy of contribution rates is determined annually using the entry age normal actuarial cost method. Rates are at the statutory maximums and the maximum rates have been taken into consideration in the projection of pension benefits for financial accounting measurement purposes.

Pension legislation increased the active member contribution rate from 10 percent to 12.25 percent in annual increments of 0.75 percent each year beginning on July 2, 2013, and the final scheduled increase occurred on July 2, 2015. All plan members are required to contribute 12.25% of their gross wages, and the employer's contribution rate is 19.5% and 24% for police officers and firefighters, respectively.

The City has a pickup plan for full-time police officers hired before January 1, 2011. FOP contract members hired before January 1, 2011 receive a pickup of 9.5%. Full-time employees hired after January 1, 2011 pay their own contributions to OP&F, unless specified otherwise in individual employment agreements.

The City's contributions to OP&F for police officers for the year ended December 31, 2015 was \$184,240. The City's portion of OP&F employee pickups was \$56,681.

C. Social Security System

The City's firefighters are part-time and not eligible for OPERS or OP&F membership, and pay into the federal social security system.

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The ORC permits, but does not require, OPERS to offer postemployment health care coverage (OPEB). The ORC allows a portion of the employers' contributions to be used to fund health care coverage. OPERS maintains a 401(h) Health Care Trust established under IRC Section 401(h), to fund health care coverage for the retirees and beneficiaries of the Traditional Pension Plan and Combined Plan.

Note 9 – Postemployment Benefits (Continued)

In 2014, OPERS established the 115 Health Care Trust under IRC Section 115 to fund an HRA for Medicare eligible retirees. Eligible retirees can select a Medicare supplement plan through the OPERS Medicare Connector and will have an allowance deposited to an HRA to be used for reimbursement of eligible health care expenses, starting with January 2016 premium reimbursements. Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis.

Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Coverage includes hospitalization, medical expenses, prescription drugs, and reimbursement of monthly Medicare premiums. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, disease management, and other programs.

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.

Disclosures on the Plan's health care benefits are made in the system's annual financial report, accessible on their website, www.opers.org.

Funding Policy Based upon the recommendation of the System's actuary, a portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for 2015.

Two percent of the City's employee contributions allocated to fund postemployment healthcare benefits for the year ended December 31, 2015 is \$1,528. 100% of the City's pension contributions has been contributed for 2015.

B. Ohio Police and Fire Pension Fund

Plan Description OP&F sponsors a comprehensive health care program for eligible benefit recipients and their eligible dependents administered by a third party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. The program includes medical, prescription drugs, dental, vision and reimbursement of Medicare Part B premiums. Benefit recipients pay a portion of the health care cost through a monthly contribution.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide postemployment 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 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.

Disclosures on the OP&F's health care benefits are made in the plan's annual financial report, accessible on their website, www.op-f.org.

Funding Policy Under Ohio law, health care costs paid from the funds of the plan are included in the employer contribution rates, which are currently 19.5 percent and 24 percent of salaries for police and fire employers, respectively. During 2015, the Board of Trustees has allocated employer contributions equal to 0.5 percent of annual covered payroll to the Health Care Stabilization Fund (HCSF). The HCSF is part of the Pension Reserve Fund.

City of North College Hill
Hamilton County, Ohio
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 – Postemployment Benefits (Continued)

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.

One half percent of the City’s covered payroll, payable from the City’s contributions to OP&F, that could be allocated to the HCSF for the year ending December 31, 2016 is \$4,724. 100% of the City’s pension contributions has been paid for 2015.

Note 10 – Debt

The changes in the City’s long-term obligations during fiscal year 2015 were as follows:

| Government Activities | Interest Rate | Balance 12/31/2014 | Additions | Reductions | Balance 12/31/2015 | Due Within One Year |
|--|------------------|-----------------------|-------------------|-------------------|-----------------------|------------------------|
| General Obligation Bonds | | | | | | |
| 2009 Equipment Acquisition | | | | | | |
| Bonds (Fire Truck) | 3-4.5% | \$ 300,000 | \$ - | \$ 70,000 | \$ 230,000 | \$ 75,000 |
| 2011 Energy Upgrade Note | 3.7% | 175,318 | - | 24,633 | 150,685 | 25,560 |
| 2012 Bond Anticipation Note (Public Works Building) | | | | | | |
| | 3-4.5% | 390,000 | - | 25,000 | 365,000 | 25,000 |
| Public Infrastructure Improvement Loans | | | | | | |
| 2014 Clover Lane | 0% | 54,070 | 9,903 | 63,973 | - | - |
| 2015 Trojan Way | 0% | - | 71,810 | - | 71,810 | 1,795 |
| 2015 Bake Avanne | 0% | - | 95,132 | - | 95,132 | - |
| Total Government Activities | | | | | | |
| Long-term Debt | | <u>\$ 919,388</u> | <u>\$ 176,845</u> | <u>\$ 183,606</u> | <u>\$ 912,627</u> | <u>\$ 127,355</u> |

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

Principal and interest requirements to retire general obligation debt outstanding December 31, 2015, are as follows:

| Year Ending | 2009 Equipment Acquisition | | | 2011 Energy Upgrade Project | | |
|----------------|----------------------------|------------------|-------------------|-----------------------------|------------------|-------------------|
| | Principal | Interest | Annual | Principal | Interest | Annual |
| 2016 | \$ 75,000 | \$ 10,163 | \$ 85,163 | \$ 25,560 | \$ 5,042 | \$ 30,602 |
| 2017 | 75,000 | 6,975 | 81,975 | 26,522 | 4,080 | 30,602 |
| 2018 | 8,000 | 3,600 | 11,600 | 27,520 | 3,082 | 30,602 |
| 2019 | - | - | - | 28,556 | 2,046 | 30,602 |
| 2020 | - | - | - | 29,630 | 972 | 30,602 |
| 2021-2025 | - | - | - | 10123 | 78 | 10,201 |
| Total | <u>\$ 158,000</u> | <u>\$ 20,738</u> | <u>\$ 178,738</u> | <u>\$ 147,911</u> | <u>\$ 15,300</u> | <u>\$ 163,211</u> |

Note 10 – Debt (Continued)

| Year Ending | Principal | 2012 Bond Interest | Annual |
|----------------|-------------------|-----------------------|-------------------|
| 2016 | \$ 25,000 | \$ 14, | \$ 39,700 |
| 2017 | 30,000 | 13,950 | 43,950 |
| 2018 | 30,000 | 13,050 | 43,050 |
| 2019 | 30,000 | 12,150 | 42,150 |
| 2020 | 30,000 | 11,250 | 41,250 |
| 2021-2025 | 95,000 | 40,050 | 135,050 |
| 2026-2030 | 100,000 | 19,125 | 119,125 |
| 2031-2035 | 25,000 | 1,125 | 26,125 |
| Total | <u>\$ 365,000</u> | <u>\$ 125,</u> | <u>\$ 490,400</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 AN amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2015, were an overall debt margin of \$10,803,521 and an unvoted debt margin of \$5,375,654.

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 loan debt is paid with the proceeds from the City's Street Improvements Levy, and loans are typically paid in full by the first loan installment due date.

Note 11 – Lease Obligation

The City leases vehicles and other equipment under non-cancelable leases. The City disbursed \$36,865 to pay lease costs for the year ended December 31, 2015.

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

| Year Ending | General Fund | Fire Equipment Fund | Total Equipment Leases |
|----------------|-----------------|------------------------|---------------------------|
| 2016 | \$ 5,599 | \$ 20,068 | \$ 25,667 |
| 2017 | - | 20,068 | 20,068 |
| 2018 | - | 20,068 | 20,068 |
| 2019 | - | 20,068 | 20,068 |
| 2020 | - | - | - |
| Total | <u>\$ 5,599</u> | <u>\$ 80,272</u> | <u>\$ 85,871</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 governmental funds. The constraints placed on the fund balance for the major governmental fund and all other governmental funds are presented below:

| | <u>General Fund</u> | <u>Street Levy Fund</u> | <u>Police Levy Fund</u> | <u>Fire Equipment Fund</u> | <u>Other Gov't Funds</u> | <u>Total Governmental Funds</u> |
|--------------------|-------------------------|---------------------------------|---------------------------------|------------------------------------|----------------------------------|---|
| Assigned for: | | | | | | |
| Police | \$ 200 | \$ - | \$ 4,287 | \$ - | \$ - | \$ 4,487 |
| Fire | - | - | - | 500 | - | 500 |
| Total Assigned | <u>\$ 200</u> | <u>\$ -</u> | <u>\$ 4,287</u> | <u>\$ 500</u> | <u>\$ -</u> | <u>\$ 4,987</u> |
| Unassigned | <u>99,451</u> | <u>578,690</u> | <u>251,345</u> | <u>74,819</u> | <u>26,477</u> | <u>1,030,782</u> |
| Total Fund Balance | <u><u>\$ 99,651</u></u> | <u><u>\$ 578,690</u></u> | <u><u>\$ 255,632</u></u> | <u><u>\$ 75,319</u></u> | <u><u>\$ 26,477</u></u> | <u><u>\$ 1,035,769</u></u> |

Note 13 – Contingencies

A. Grants

Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor. The grantor may require refunding and disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

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 - Cash Basis
Budget vs. Actual
General Fund
For the Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | | Variance of Actual with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|------------------|--|
| | Original | Final | Actual | |
| Receipts | | | | |
| Municipal Income Taxes | \$ 2,575,000 | \$ 2,575,000 | \$ 2,569,271 | \$ (5,729) |
| Property and Other Local Taxes | 298,418 | 315,000 | 288,903 | (26,097) |
| Assessments | 30,000 | 30,000 | 50,427 | 20,427 |
| Charges for Services | 25,000 | 22,410 | 15,297 | (7,113) |
| Fines, Licenses and Permits | 204,000 | 204,000 | 150,468 | (53,532) |
| Intergovernmental | 114,500 | 209,500 | 212,387 | 2,887 |
| Miscellaneous | 178,410 | 26,000 | 29,282 | 3,282 |
| <i>Total Receipts</i> | <u>3,425,328</u> | <u>3,381,910</u> | <u>3,316,035</u> | <u>(65,875)</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 850,415 | 841,586 | 892,148 | (50,562) |
| Security of Persons and Property | 2,309,685 | 2,269,838 | 2,282,002 | (12,164) |
| Public Health Services | - | - | - | - |
| Leisure Time Activities | 8,600 | 9,110 | 8,917 | 193 |
| Community Environment | 61,250 | 83,050 | 79,683 | 3,367 |
| Basic Utility Services | 153,500 | 151,700 | 149,201 | 2,499 |
| Capital Outlay | 5,000 | 125,000 | 3,307 | 121,693 |
| Debt Service: | | | | |
| Principal Retirement | 49,710 | 53,810 | 49,633 | 4,177 |
| Interest and Fiscal Charges | 21,350 | 21,950 | 21,419 | 531 |
| <i>Total Disbursements</i> | <u>3,459,510</u> | <u>3,556,044</u> | <u>3,486,310</u> | <u>69,734</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(34,182)</u> | <u>(174,134)</u> | <u>(170,275)</u> | <u>3,859</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | - | 60,000 | 7,875 | (52,125) |
| Transfers In | - | - | 22,000 | 22,000 |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>60,000</u> | <u>29,875</u> | <u>(30,125)</u> |
| <i>Net Change in Fund Balance</i> | <u>(34,182)</u> | <u>(114,134)</u> | <u>(140,400)</u> | <u>(26,266)</u> |
| <i>Fund Balance Beginning of Year</i> | <u>240,051</u> | <u>240,051</u> | <u>240,051</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 205,869</u> | <u>\$ 125,917</u> | <u>\$ 99,651</u> | <u>\$ (26,266)</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)
Street Levy Fund
For the Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | | Variance of Actual with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| Property and Other Local Taxes | \$ 451,353 | \$ 450,000 | \$ 459,722 | \$ 9,722 |
| Intergovernmental | - | - | 911,074 | 911,074 |
| Miscellaneous | - | - | 295,355 | 295,355 |
| <i>Total Receipts</i> | <u>451,353</u> | <u>450,000</u> | <u>1,666,151</u> | <u>1,216,151</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Transportation | 159,800 | 153,970 | 135,694 | 18,276 |
| Capital Outlay | 250,000 | 1,873,725 | 1,803,258 | 70,467 |
| Debt Service: | | | | |
| Principal Retirement | - | 63,975 | 63,973 | 2 |
| Interest | - | - | - | - |
| <i>Total Expenditures</i> | <u>409,800</u> | <u>2,091,670</u> | <u>2,002,925</u> | <u>88,745</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>41,553</u> | <u>(1,641,670)</u> | <u>(336,774)</u> | <u>1,304,896</u> |
| Other Financing Sources (Uses) | | | | |
| Other Debt Issued | - | - | 176,845 | 176,845 |
| Transfers Out | - | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>176,845</u> | <u>176,845</u> |
| <i>Net Change in Fund Balance</i> | <u>41,553</u> | <u>(1,641,670)</u> | <u>(159,929)</u> | <u>1,481,741</u> |
| <i>Fund Balance Beginning of Year</i> | <u>738,619</u> | <u>738,619</u> | <u>738,619</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 780,172</u> | <u>\$ (903,051)</u> | <u>\$ 578,690</u> | <u>\$ 1,481,741</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, 2015

| | <u>Budgeted Amounts</u> | | | Variance of Actual with Final Budget Positive (Negative) |
|--|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| Charges for Services | \$ 210,000 | \$ 210,000 | \$ 204,949 | \$ (5,051) |
| Intergovernmental | - | | 3,500 | 3,500 |
| Miscellaneous | - | - | 385 | 385 |
| <i>Total Receipts</i> | <u>210,000</u> | <u>210,000</u> | <u>208,834</u> | <u>(1,166)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 136,150 | 155,825 | 171,717 | (15,892) |
| Capital Outlay | 10,000 | 37,700 | 37,667 | 33 |
| Debt Service: | | | | |
| Principal Retirement | 88,150 | 90,135 | 70,000 | 20,135 |
| Interest | 14,895 | 13,000 | 12,963 | 37 |
| <i>Total Expenditures</i> | <u>249,195</u> | <u>296,660</u> | <u>292,347</u> | <u>4,313</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(39,195)</u> | <u>(86,660)</u> | <u>(83,513)</u> | <u>3,147</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | <u>(39,195)</u> | <u>(86,660)</u> | <u>(83,513)</u> | <u>3,147</u> |
| <i>Fund Balance Beginning of Year</i> | <u>158,832</u> | <u>158,832</u> | <u>158,832</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 119,637</u> | <u>\$ 72,172</u> | <u>\$ 75,319</u> | <u>\$ 3,147</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, 2015

| | <u>Budgeted Amounts</u> | | | Variance of Actual with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| Property and Other Local Taxes | \$ 545,615 | \$ 570,000 | \$ 533,438 | \$ (36,562) |
| <i>Total Receipts</i> | <u>545,615</u> | <u>570,000</u> | <u>533,438</u> | <u>(36,562)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Security of Persons & Property | 405,160 | 465,280 | 457,359 | 7,921 |
| Capital Outlay | 85,000 | 210,000 | 192,206 | 17,794 |
| Debt Service: | | | | |
| Principal Retirement | 76,000 | - | - | - |
| Interest | - | - | - | - |
| <i>Total Expenditures</i> | <u>566,160</u> | <u>675,280</u> | <u>649,565</u> | <u>25,715</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(20,545)</u> | <u>(105,280)</u> | <u>(116,127)</u> | <u>(10,847)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | (22,000) | (22,000) | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>(22,000)</u> | <u>(22,000)</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | <u>(20,545)</u> | <u>(127,280)</u> | <u>(138,127)</u> | <u>(10,847)</u> |
| <i>Fund Balance Beginning of Year</i> | <u>393,759</u> | <u>393,759</u> | <u>393,759</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 373,214</u> | <u>\$ 266,479</u> | <u>\$ 255,632</u> | <u>\$ (10,847)</u> |

City of North College Hill
Hamilton County, Ohio
Notes to Supplementary Information
For the Year Ended December 31, 2015

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 Balances – 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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**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
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 26, 2017, wherein we noted the City uses a comprehensive accounting basis 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 opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2015-001 through 2015-003.

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 testing 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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
September 26, 2017

**City of North College Hill
Hamilton County, Ohio
Schedule of Findings
December 31, 2015**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2015-001

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 prescribe format and available for review by the general public and the City Council.

The City should compile financial statements in accordance with generally accepted accounting principles.

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

Finding Number 2015-002

Noncompliance

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment or the amount due. The City has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

- B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**City of North College Hill
Hamilton County, Ohio
Schedule of Findings
December 31, 2015**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2015-002 (Continued)

- C. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The City was not able to provide us with the certification was utilized for disbursements made by the City during 2015. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Every effort should be made by the City to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation.

The City should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: We didn't receive a response for the above finding.

Finding Number 2015-003

Noncompliance

Ohio Rev. Code, Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources (defined as unencumbered beginning balance plus estimated receipts).

During the audit, it was noted that the City's Street Levy Fund had appropriations in excess of estimated resources by \$903,051. Since the expenditure of funds are based on the estimated resources, instances when appropriations are more than estimated resources and proper measures are not taken this could lead to overspending and negative fund balances.

The City should adopt policies and procedures to review appropriations from each fund throughout the year and make any necessary amendments to ensure that appropriations are limited to the total estimated resources.

Client Response: We didn't receive a response for the above finding.

**City of North College Hill
Hamilton County, Ohio
Schedule of Prior Audit Findings
December 31, 2015**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|---|
| 2014-001 | OAC 117-2-03 Not Filing GAAP Statement | No | Reissued as 2015-001 |
| 2014-002 | 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 | Yes | |
| 2014-003 | Financial Statement Errors | Yes | |

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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
NOVEMBER 14, 2017