

**VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO**

AUDIT REPORT

For the Years Ended December 31, 2007 and 2006

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



Mary Taylor, CPA

Auditor of State

Board of Trustees
Village of Peninsula
1582 Main Street
P.O. Box 177
Peninsula, Ohio 44264

We have reviewed the *Report of Independent Accountants* of the Village of Peninsula, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Village of Peninsula is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 4, 2008

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**VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Peninsula
Summit County
1582 Main Street
P.O. Box 177
Peninsula, Ohio 44264-0177

To the Village Council:

We have audited the accompanying financial statements of the Village of Peninsula (the Village), Summit County, Ohio as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Village of Peninsula, Summit County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
June 6, 2008

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2007

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 16,680	\$ 97,340	-	\$ 114,020
Municipal Income Taxes	313,214	-	-	313,214
Intergovernmental	153,814	38,992	-	192,806
Charges for Services	160,965	-	-	160,965
Fines, Licenses, and Permits	86,666	6,885	-	93,551
Earnings on Investments	807	-	-	807
Miscellaneous	14,371	-	-	14,371
Total Receipts	746,517	143,217	-	889,734
Disbursements:				
Current:				
Security of Persons and Property	435,398	63,615	-	499,013
Public Health Services	6,913	-	-	6,913
Community Environment	2,969	-	-	2,969
Transportation	71,643	89,694	-	161,337
General Government	185,284	5,301	-	190,585
Total Disbursements	702,207	158,610	-	860,817
Excess of Receipts Over/(Under)				
Disbursements	44,310	(15,393)	-	28,917
Other Financing Sources:				
Transfer-In	-	500	\$ 5,309	5,809
Transfer-Out	(5,809)	-	-	(5,809)
Advances-In	8,050	12,350	-	20,400
Advances-Out	(12,350)	(8,050)	-	(20,400)
Total Other Financing Sources	(10,109)	4,800	5,309	-
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	34,201	(10,593)	5,309	28,917
Fund Balance January 1, 2007	21,100	45,714	(29,413)	37,401
Fund Balance December 31, 2007	\$ 55,301	\$ 35,121	\$ (24,104)	\$ 66,318
Reserve for Encumbrances, December 31, 2007	\$ 7,206	\$ 4,055	\$ -	\$ 11,261

See accompanying Notes to the Financial Statements.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 14,292	\$ 97,897	-	\$ 112,189
Municipal Income Taxes	305,492	-	-	305,492
Intergovernmental	259,385	43,887	-	303,272
Charges for Services	157,647	-	-	157,647
Fines, Licenses, and Permits	78,584	6,989	-	85,573
Earnings on Investments	2,948	7	-	2,955
Miscellaneous	10,149	-	-	10,149
Total Receipts	828,497	148,780	-	977,277
Disbursements:				
Current:				
Security of Persons and Property	516,715	74,733	-	591,448
Public Health Services	6,439	-	-	6,439
Community Environment	2,540	-	-	2,540
Transportation	68,101	102,396	\$ 58,413	228,910
General Government	252,010	7,676	-	259,686
Total Disbursements	845,805	184,805	58,413	1,089,023
Excess of Receipts Over/(Under) Disbursements	(17,308)	(36,025)	(58,413)	(111,746)
Other Financing Sources/(Uses):				
Sale of Fixed Assets	485	-	-	485
Transfers-In	-	15,000	14,689	29,689
Transfers-Out	(29,689)	-	-	(29,689)
Advances In	-	16,000	-	16,000
Advances Out	(16,000)	-	-	(16,000)
Total Other Financing Sources/(Uses)	(45,204)	31,000	14,689	485
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(62,512)	(5,025)	(43,724)	(111,261)
Fund Balance January 1, 2006	83,612	50,739	14,311	148,662
Fund Balance December 31, 2006	\$ 21,100	\$ 45,714	\$ (29,413)	\$ 37,401

See accompanying Notes to the Financial Statements.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - FIDUCIARY FUNDS TYPES
For the Years Ended December 31, 2007

	Fiduciary Fund Types
	Agency Funds
Non-Operating Receipts:	
Mayor's Court Receipts	\$ 100,672
Non-Operating Disbursements:	
Mayor's Court Disbursements	100,672
Excess of Receipts Over/(Under) Disbursements	-
Fund Balance January 1	942
Fund Balance December 31	<u>\$ 942</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
For the Years Ended December 31, 2006

	Fiduciary Fund Types
	Agency Funds
Operating Cash Receipts:	
Miscellaneous	\$ 6
Total Operating Cash Receipts	6
Non-Operating Receipts:	
Mayor's Court Receipts	103,554
Non-Operating Disbursements:	
Mayor's Court Disbursements	103,554
Excess of Receipts Over/(Under) Disbursements	6
Fund Balance January 1	936
Fund Balance December 31	\$ 942

See accompanying Notes to the Financial Statements.

**VLLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Peninsula, Summit County, (the Village) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members and a mayor. The Village provides general government services, including maintenance of Village streets, police services, and park operations. The Village contracts with Valley Fire District to provide fire protection and emergency medical services.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VLLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant special revenue funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax monies from the State of Ohio for construction, maintenance and repair of Village streets.

State Highway Improvement Fund – This fund receives gasoline tax monies from the State of Ohio for maintenance and repair of state highways in the Village.

Road Levy Fund – This fund receives tax proceeds from a special road levy for repair and maintenance of roads in the Village.

Police Levy Fund – This fund receives tax proceeds from a special police levy for the funding of the Village's police department.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Major Road Capital Improvement Fund - This fund receives federal grant proceeds for the completion of road resurfacing.

Sidewalk Capital Improvement Fund – This fund receives federal grant proceeds for the completion of sidewalk improvements.

4. Fiduciary Funds

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

Agency Fund:

Mayor's Court Fund – This Agency Fund is used to account for the activity of the Village's Mayor's Court.

VLLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

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

2. **Estimated Resources**

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

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

VLLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2007	2006
Demand Deposits	\$ 67,260	\$ 38,343
Total	\$ 67,260	\$ 38,343

Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 is as follows:

2007 Budgeted vs. Actual Receipts

Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$ 747,208	\$ 746,517	\$ (691)
Special Revenue	156,331	143,717	(12,614)
Capital Projects	30,656	5,309	(25,347)
 Total	\$ 934,195	\$ 895,543	\$ (38,652)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund	Appropriation Authority	Expenditures & Encumbrances	Variance
General	\$ 743,189	\$ 715,222	\$ 27,967
Special Revenue	178,536	162,665	15,871
Capital Projects	-	-	-
 Total	\$ 921,725	\$ 877,887	\$ 43,838

VLLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

3. BUDGETARY ACTIVITY – (continued)

2006 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$ 694,984	\$ 828,982	\$ 133,998
Special Revenue	167,340	163,780	(3,560)
Capital Projects	33,420	14,689	(18,731)
Total	\$ 895,744	\$ 1,007,451	\$ 111,707

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Expenditures & Encumbrances	Variance
General	\$ 860,387	\$ 875,494	\$ (15,107)
Special Revenue	191,678	184,805	6,873
Capital Projects	32,000	58,413	(26,413)
Total	\$ 1,084,065	\$ 1,118,712	\$ (34,647)

4. PROPERTY TAXES

Real property becomes a lien on January 1 preceding the October 1 date for which Village Council adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

The Summit County Auditor is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village allows a 50% credit of income taxes paid to another municipality.

VLLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

5. LOCAL INCOME TAX – (continued)

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's income tax collection agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. CAPITAL LEASES

The Village has lease agreements as a lessee for financing the acquisition of office equipment and vehicles. In 2005 and 2004, it entered leases for the acquisition of police vehicle trucks. In 2006, Village entered another lease for a police vehicle. The future minimum lease payments and the net present value of minimum lease payments under these capital leases as of December 31, 2007 were as follows:

<u>Year Ending Dec 31</u>	<u>Amounts</u>
2008	\$ 23,630
2009	4,601
	28,231
Less: Amount representing interest	(857)
Present value of minimum lease payments	\$ 27,374

7. RETIREMENT SYSTEMS

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

The Ohio Revised Code prescribes contributions rates. The Village's OPERS members contributed 9% in 2006 and 9.5% in 2007 of their gross salaries. The Village contributed an amount equal to 13.7% and 13.85 % for 2006 and 2007 of participant's gross salaries, respectively. The Village has paid all contributions required through December 31, 2007.

Police officers of the Village are members of the Ohio Police and Fire Pension Fund (OP&F), a state operated, cost sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits to plan members and beneficiaries.

The Ohio Revised Code prescribes contributions. The Village's OP&F members contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of the participant's gross salaries through December 31, 2006 and 2007 for police officers. The Village has paid all contributions required through December 31, 2007.

**VLLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village also provides health insurance coverage to full-time employees through a private carrier.

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Peninsula
Summit County
1582 Main Street
P.O. Box 177
Peninsula, Ohio 44264-0177

To the Village Council:

We have audited the financial statements of the Village of Peninsula, Summit County, Ohio (Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 6, 2008, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

We also noted certain matters that we have reported to management of the Village in a separate letter dated June 6, 2008.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

June 6, 2008

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

Non-Compliance Citation- Finding Number 2007-001

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. In 2006, the following fund had total expenditures plus encumbrances in excess of appropriations:

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
General Fund	\$ 860,387	\$ 875,494	\$ (15,107)
Special Revenue Fund-Police Protection	63,568	75,443	(11,875)
Special Revenue Fund-Road and Bridge	59,540	60,962	(1,422)
Special Revenue Fund-Street Construction	36,500	37,744	(1,244)
Special Revenue Fund-Drug Law Enforcement	-	200	(200)
Capital Project Fund-CVNP Grants	31,000	53,739	(22,739)
Capital Project Fund-Sidewalks	-	4,469	(4,469)
Capital Project Fund-Riverview Road	-	92	(92)

The legal level of control violations were not disclosed since they were cited at the fund level.

We recommend the Village monitor appropriations and expenditures plus encumbrances regularly and amend appropriations as necessary to avoid overspending.

Management Response:

Management has taken the appropriate steps in implementing the UAN system for budgeting and accounting purposes, which has alleviated these problems.

Non-Compliance Citation- Finding Number 2007-002

Ohio Rev. Code Section 5705.10 provides that money paid into any fund shall be used only for the purposes for which the fund was established. As of December 31, 2006 and 2007, the following funds had deficit cash balances:

2006 Capital Project Fund-	
CVNP Grant Fund	\$(26,511)
Riverview Road	(92)
Sidewalks	(4,053)
2007 Capital Project Fund-	
CVNP Grant Fund	\$(26,511)

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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Non-Compliance Citation- Finding Number 2007-002 (continued)

These deficit balances indicated that money from other funds have been used to pay the obligations of these funds. The Village failed to transfer or advance monies to cover the deficits.

We recommend that the Village determine the cost and method of financing any program prior to inception of the program. The Village should transfer or advance monies from the General Fund to the other funds to cover the deficits with the approval of Council.

Management Response:

Management is rectifying the negative fund balances in 2008 by transferring monies from the General Fund, when available.

Management has taken an ongoing and active role in overseeing the finances of the Village and continues to review budgetary procedures on a regular basis.

**VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No longer Valid, Explain
2005-PEN-001	Section 5705.41(B) Ohio Revised Code - Expenditures and encumbrances not to exceed appropriations	No	Not corrected, repeat as finding number 2007-001.
2005-PEN-002	Village management didn't have proper internal control procedures.	Yes	Corrected; Village Council is actively involved in monitoring the financial activity of the Village.



Mary Taylor, CPA
Auditor of State

VILLAGE OF PENINSULA

SUMMIT 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
SEPTEMBER 16, 2008**