

# ***VILLAGE OF PENINSULA***

**SUMMIT COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2015 and 2014**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountant's Report* of the Village of Peninsula, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 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 Village of Peninsula is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 27, 2016

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**VILLAGE OF PENINSULA**  
**Summit County**  
**For the Years Ended December 31, 2015 and 2014**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Peninsula, Summit County, (the Village) as of and for the years ended December 31, 2015 and 2014.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 Village'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 Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Peninsula, Summit County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2016, 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 and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris and Associates, Inc.***

August 26, 2016



**Village of Peninsula, Ohio**  
*Summit County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$10,837	\$93,803	\$0	\$104,640
Municipal Income Tax	607,796	0	0	607,796
Intergovernmental	81,912	45,198	0	127,110
Charges for Services	237,798	0	0	237,798
Fines, Licenses and Permits	59,962	100	0	60,062
Earnings on Investments	48	0	0	48
Miscellaneous	19,307	0	0	19,307
<i>Total Cash Receipts</i>	<u>1,017,660</u>	<u>139,101</u>	<u>0</u>	<u>1,156,761</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	499,360	74,884	0	574,244
Public Health Services	7,379	0	0	7,379
Community Environment	5,112	0	0	5,112
Transportation	72,391	46,895	0	119,286
General Government	288,355	1,612	0	289,967
<i>Total Cash Disbursements</i>	<u>872,597</u>	<u>123,391</u>	<u>0</u>	<u>995,988</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	145,063	15,710	0	160,773
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	24,513	0	0	24,513
<i>Total Other Financing Receipts (Disbursements)</i>	<u>24,513</u>	<u>0</u>	<u>0</u>	<u>24,513</u>
<i>Net Change in Fund Cash Balances</i>	169,576	15,710	0	185,286
<i>Fund Cash Balances, January 1</i>	<u>159,815</u>	<u>90,782</u>	<u>2,612</u>	<u>253,209</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	129,304	2,612	131,916
Assigned	4,806	0	0	4,806
Unassigned (Deficit)	324,585	(22,812)	0	301,773
<i>Fund Cash Balances, December 31</i>	<u>\$329,391</u>	<u>\$106,492</u>	<u>\$2,612</u>	<u>\$438,495</u>

The notes to the financial statements are an integral part of this statement.

**Village of Peninsula, Ohio**  
*Summit County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2014*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$10,872	\$92,290	\$0	\$103,162
Municipal Income Tax	548,401	0	0	548,401
Intergovernmental	71,170	55,311	18,800	145,281
Charges for Services	226,975	0	0	226,975
Fines, Licenses and Permits	42,709	125	0	42,834
Earnings on Investments	55	0	0	55
Miscellaneous	22,492	0	0	22,492
<i>Total Cash Receipts</i>	<u>922,674</u>	<u>147,726</u>	<u>18,800</u>	<u>1,089,200</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	421,733	85,278	0	507,011
Public Health Services	7,103	0	0	7,103
Community Environment	3,102	0	0	3,102
Transportation	91,164	74,838	0	166,002
General Government	269,729	2,832	0	272,561
Capital Outlay	0	0	18,800	18,800
<i>Total Cash Disbursements</i>	<u>792,831</u>	<u>162,948</u>	<u>18,800</u>	<u>974,579</u>
<i>Net Change in Fund Cash Balances</i>	129,843	(15,222)	0	114,621
<i>Fund Cash Balances, January 1</i>	<u>29,972</u>	<u>106,004</u>	<u>2,612</u>	<u>138,588</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	91,533	2,612	94,145
Assigned	9,775	0	0	9,775
Unassigned (Deficit)	150,040	(751)	0	149,289
<i>Fund Cash Balances, December 31</i>	<u>\$159,815</u>	<u>\$90,782</u>	<u>\$2,612</u>	<u>\$253,209</u>

The notes to the financial statements are an integral part of this statement.

**Village of Peninsula, Ohio**  
*Summit County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances*  
*Agency Fund*  
*For the Years Ended December 31, 2015 and 2014*

	Fiduciary Fund Types	
	Agency 2015	Agency 2014
<b>Operating Cash Receipts</b>		
<i>Total Operating Cash Receipts</i>	0	0
<b>Operating Cash Disbursements</b>		
<i>Total Operating Cash Disbursements</i>	0	0
<i>Net Change in Fund Cash Balances</i>	0	0
<i>Fund Cash Balances, January 1 (Note 11)</i>	296	296
<i>Fund Cash Balances, December 31</i>	\$296	\$296

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Peninsula, Summit County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, park operations, and police services. The Village contracts with Valley Fire District to receive fire protection and emergency medical services.

The Village participates in a Joint Economic Development District (JEDD) with Boston Township. Note 10 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village maintains cash in interest-bearing checking accounts and certificates of deposits.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

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 Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

CVNP Capital Grants Fund – This fund receives federal grant proceeds for the Cuyahoga Valley National Park road project.

**4. Fiduciary Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for the Mayor’s Court. The Village suspended its Mayor’s Court in March 2013, however it kept a balance in its bank account.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund 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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

VILLAGE OF PENINSULA  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *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.

3. **Committed**

Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

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

The Village 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.

**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2015	2014
Demand deposits	\$432,758	\$247,475
Certificates of deposit	6,033	6,030
Total deposits	\$438,791	\$253,505

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$853,733	\$1,042,173	\$188,440
Special Revenue	136,418	139,101	2,683
Capital Projects	50,000	0	(50,000)

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$935,065	\$877,403	\$57,662
Special Revenue	179,555	123,391	56,164
Capital Projects	10,000	0	10,000

**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$863,277	\$922,674	\$59,397
Special Revenue	150,118	147,726	(2,392)
Capital Projects	75,000	18,800	(56,200)

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$843,035	\$802,606	\$40,429
Special Revenue	199,660	162,948	36,712
Capital Projects	35,000	18,800	16,200

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

The County 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 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 municipal income tax was 1 percent until March 31, 2014. Effective April 1, 2014, the Village raised its municipal income tax to 2%.

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



**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. CAPITAL LEASES**

The Village has lease agreements as a lessee for financing the acquisition of vehicles. The future minimum lease payments and the net present value of minimum lease payments under these capital leases as of December 31, 2015 were as follows:

<u>Year</u>	<u>Amounts</u>
2016	\$16,981
2017	12,932
	<u>29,913</u>
Less: Amount representing interest	<u>(1,074)</u>
Present value of minimum lease payments	<u>\$28,839</u>

**7. RETIREMENT SYSTEMS**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2014 to June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014 to June 30, 2015, OP&F participants contributed 11.5% of their wages. From July 1, 2015 to December 31, 2015, OP&F participants contributed 12.25% of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. CONTINGENT LIABILITIES**

The Village may be a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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

**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS**

The Village participates in a JEDD with Boston Township. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Village and the Township. The Village and the Township shall work together to provide or cause to be provided water, sewer, storm sewer, street lighting, roads, sidewalks, and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three each from the Village and the Township. The Village members are three elected members of Council who are appointed to the Board by the Mayor and approved by Council. The Township members of the Board are the Township Trustees. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area.

**11. MAYOR'S COURT CASH BALANCE**

In 2013, the Village Mayor's Court had an unreconciled balance of \$966. This was adjusted to reflect the remaining balance in the bank.

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

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

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

To the Village 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 cash balances, receipts and disbursements by fund type of the Village of Peninsula, Summit County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2016, wherein we noted the Village followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village'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 Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 26, 2016.

***Village's Responses to Findings***

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

***Purpose of this Report***

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



***Charles E. Harris and Associates, Inc.***  
August 26, 2016

**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Weakness – Bank Reconciliation**

A necessary step in the internal control over financial reporting is to perform bank to book cash reconciliations. Performing these reconciliations means accounting for the differences between the balance on the bank statements and the cash and investment balances according to the Village's records at a specific point in time.

During 2015 and 2014, the Village did not fully reconcile the balance of the bank to the balance of the cash in the accounting records, resulting in unreconciled differences in 2014 and 2015. A primary cause of the unreconciled difference was due to payroll withholdings for taxes and retirement benefits not being posted to the accounting system in a timely fashion. Other causes are: receipts from the state and other agencies that remit payments electronically in the Village's bank account; and interest income from the checking account and certificate of deposits that were not recorded correctly in the Village's books. These items were corrected in the accompanying financial statements and Village's books.

Without complete and accurate monthly bank reconciliations, the Village's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Village's management. In addition, the Village's management and Council are not provided with timely fiscal information that is vital to the continued operation and decision making process of the Village.

The Village should prepare accurate monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved and appropriately documented as quickly as possible so they are not carried forward from month to month.

**Management Response:**

Steps are being taken to ensure that the account will be reconciled on a timely basis. The Village is looking into hiring an independent accountant to provide these services and to maintain the proper segregation of duties.

VILLAGE OF PENINSULA  
SUMMIT COUNTY

SCHEDULE OF FINDINGS – (continued)  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-002

**Material Non-Compliance - Negative Fund Balance**

Ohio Rev. Code § 5705.10(l) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

In 2014, the Police Levy Fund ended the year with a negative fund balance of \$751.

In 2015, the Police Levy Fund incurred a negative fund balance of \$22,300. Also in 2015, the Drug Law Enforcement Fund had a negative fund balance of \$512.

We recommend that the Village prepare monthly cash reconciliations in a timely manner so that it can closely monitor the balances of its funds and avoid incurring negative fund cash balances.

**Management Response:**

These funds are negative due to the adjustments related to finding 2015-001. These negative balances will be corrected in the near future.

**VILLAGE OF PENINSULA  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code § 5705.41(D) expenditures not properly certified	Yes	Finding no longer valid
2013-002	Ohio Rev. Code § 5705.41(B) – expenditures exceed appropriations	Yes	Finding no longer valid
2013-003	Bank reconciliations – the Village did not fully reconcile the balance of the bank and the balance of cash in the accounting records	No	See Finding 2015-001
2013-004	Payroll procedures	Yes	Finding no longer valid
2013-005	Mayor’s Court Activity	No	Moved to Management Letter

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# Dave Yost • 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  
NOVEMBER 10, 2016