

***VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO***

AUDIT REPORT

For the Years Ended December 31, 2005 and 2004

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



**Auditor of State
Betty Montgomery**

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

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, 2004 through December 31, 2005. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 14, 2006

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**VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO**

**AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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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, Summit County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires 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 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, 2005 and 2004, 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, 2005 and 2004, 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 reserves for encumbrances of the Village of Peninsula, Summit County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances 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, 2005 and 2004. 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 October 27, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
October 27, 2006

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Fund Types Expendable Trust	
Receipts:					
Property and Other Local Taxes	\$ 15,645	\$ 100,632	-	-	\$ 116,277
Municipal Income Taxes	279,348	-	-	-	279,348
Intergovernmental	229,420	79,355	\$ 4,136	-	312,911
Charges for Services	151,672	-	-	-	151,672
Fines, Licenses, and Permits	84,752	7,914	-	-	92,666
Earnings on Investments	4,338	152	-	-	4,490
Miscellaneous	5,804	-	-	-	5,804
Total Receipts	770,979	188,053	4,136	-	963,168
Disbursements:					
Current:					
Security of Persons and Property	413,753	59,220	813	-	473,786
Public Health Services	6,475	-	-	-	6,475
Community Environment	2,381	207	-	-	2,588
Transportation	64,388	157,273	443	-	222,104
General Government	212,790	8,451	-	-	221,241
Capital Outlay	125	-	-	-	125
Total Disbursements	699,912	225,151	1,256	-	926,319
Excess of Receipts Over/(Under) Disbursements	71,067	(37,098)	2,880	-	36,849
Other Financing Sources:					
Sales of Fixed Assets	3,000	-	-	-	3,000
Total Other Financing Sources	3,000	-	-	-	3,000
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	74,067	(37,098)	2,880	-	39,849
Fund Balance January 1, 2005	9,545	87,837	11,431	\$ 836	109,649
Fund Balance December 31, 2005	\$ 83,612	\$ 50,739	\$ 14,311	\$ 836	\$ 149,498
Reserve for Encumbrances, December 31, 2005	\$ 47,035	\$ -	\$ -	\$ -	\$ 47,035

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 AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2004

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Receipts:					
Property and Other Local Taxes	\$ 13,629	\$ 109,920	-	-	\$ 123,549
Municipal Income Taxes	266,878	-	-	-	266,878
Intergovernmental	181,861	163,099	\$ 217,901	-	562,861
Charges for Services	7,483	888	-	-	8,371
Fines, Licenses, and Permits	73,192	6,397	-	-	79,589
Earnings on Investments	1,981	258	-	-	2,239
Miscellaneous	5,759	-	-	-	5,759
Total Receipts	550,783	280,562	217,901	-	1,049,246
Disbursements:					
Current:					
Security of Persons and Property	307,115	67,608	-	-	374,723
Public Health Services	6,391	1,230	-	-	7,621
Community Environment	2,448	30,769	-	-	33,217
Transportation	50,884	286,897	-	-	337,781
General Government	222,711	9,231	-	-	231,942
Capital Outlay	-	-	284,375	-	284,375
Total Disbursements	589,549	395,735	284,375	-	1,269,659
Excess of Receipts Over/(Under) Disbursements	(38,766)	(115,173)	(66,474)	-	(220,413)
Other Financing Sources/(Uses):					
Other Financing Sources	-	-	-	729	729
Sales of Fixed Assets	4,944	-	-	-	4,944
Advances In	6,755	17,854	70,466	-	95,075
Advances Out	(61,480)	(33,595)	-	-	(95,075)
Total Other Financing Sources/(Uses)	(49,781)	(15,741)	70,466	729	5,673
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(88,547)	(130,914)	3,992	729	(214,740)
Fund Balance January 1, 2004	98,092	218,751	7,439	107	324,389
Fund Balance December 31, 2004	\$ 9,545	\$ 87,837	\$ 11,431	\$ 836	\$ 109,649
Reserve for Encumbrances, December 31, 2004	\$ 1,782	\$ 8,633	\$ -	\$ -	\$ 10,415

See accompanying Notes to the Financial Statements.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - AGENCY FUND
For the Years Ended December 31, 2005 and 2004

	2005	2004
Non-Operating Receipts:		
Mayor's Court Receipts	\$ 111,465	\$ 96,787
Non-Operating Disbursements:		
Mayor's Court Disbursements	111,465	96,737
Excess of Receipts Over/(Under) Disbursements	-	50
Fund Balance January 1	100	50
Fund Balance December 31	\$ 100	\$ 100
Reserve for Encumbrances, December 31	\$ -	\$ -

See accompanying Notes to the Financial Statements.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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 fund:

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

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable trust funds. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING - (continued)

4. Fiduciary Funds – (continued)

Unclaimed Warrant Fund- This Expendable Trust fund accounts for unclaimed deposits and other funds held by Village. After five years, these funds are transferred to the General Fund in accordance with Ohio Revised Code requirements.

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

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 2005 and 2004 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.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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.

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:

	2005	2004
Demand Deposits	\$ 47,645	\$ 109,749
Certificates of Deposit	101,953	-
Total Deposits and Investments	\$ 149,598	\$ 109,749

Deposits: 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, 2004 and 2005 is as follows:

2004 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$ 516,328	\$ 562,482	\$ 46,154
Special Revenue	280,126	298,416	18,290
Capital Projects	220,000	288,367	68,367
Expendable Trust	-	729	729
Total	\$ 1,016,454	\$ 1,149,994	\$ 133,540

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

3. BUDGETARY ACTIVITY – (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Expenditures & Encumbrances	Variance
General	\$ 568,543	\$ 652,811	\$ (84,268)
Special Revenue	341,162	437,963	(96,801)
Capital Projects	7,438	284,375	(276,937)
Expendable Trust	107	-	107
Total	\$ 917,250	\$ 1,375,149	\$ (457,899)

2005 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$ 707,781	\$ 773,979	\$ 66,198
Special Revenue	326,606	188,053	(138,553)
Capital Projects	225,000	4,136	(220,864)
Expendable Trust	-	-	-
Total	\$ 1,259,387	\$ 966,168	\$ (293,219)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Expenditures & Encumbrances	Variance
General	\$ 689,754	\$ 746,947	\$ (57,193)
Special Revenue	245,090	225,151	19,939
Capital Projects	5,803	1,255	4,548
Expendable Trust	729	-	729
Total	\$ 941,376	\$ 973,353	\$ (31,977)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund; Street Construction & Repair, Motor Vehicle License, Police Levy, FEMA, Road and Bridge, CVNP Planning and State Highway Improvement Special Revenue Fund; and the Mill Street, CVNP Grants, Sidewalk Capital Improvements, Riverview Road Improvement Capital Projects Funds as various times throughout the years ended December 31, 2004 and 2005.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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.

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 2004 and 2005, it entered into new leases for the acquisition of police vehicles and trucks. The future minimum lease payments and the net present value of minimum lease payments under these capital leases as of December 31, 2005 were as follows:

**VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

6. CAPITAL LEASES – (continued)

<u>Year Ending Dec 31</u>	<u>Amounts</u>
2006	\$ 38,345
2007	34,096
2008	16,049
2009	2,195
	90,685
Less: Amount representing interest	(4,478)
Present value of minimum lease payments	\$ 86,207

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 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% for 2004 and 2005 of participant's gross salaries. The Village has paid all contributions required through December 31, 2005.

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, 2004 and 2005 for police officers. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH 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, (the Village) as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 27, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Peninsula's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-PEN-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated October 27, 2006.

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, and grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-PEN-001.

We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated October 27, 2006.

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

Charles E. Harris & Associates, Inc.
October 27, 2006

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-PEN-001

Non-Compliance Citation

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, Audit Bulletin Number 97-010 requires that budgetary compliance be tested at the legal level of control, which for the Village is the object level for all funds. The following funds had total expenditures plus encumbrances in excess of appropriations by fund:

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Expenditures & Encumbrances	Variance
General Fund	\$ 568,543	\$ 652,811	\$ (84,268)
Special Revenue Funds:			
Street Construction & Repair	57,449	64,457	(7,008)
Motor Vehicle License	45,326	89,260	(43,934)
Police Levy	2,276	17,832	(15,556)
FEMA	(28,240)	95,941	(124,181)
Capital Projects Funds:			
Mill Street	-	117	(117)
CVNP Grants	-	5,256	(5,256)
Sidewalk Improvements	5,831	49,459	(43,628)
Riverview Road	60	229,240	(229,180)
Total	\$ 651,245	\$ 1,204,373	\$ (553,128)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Expenditures & Encumbrances	Variance
General Fund	\$ 689,754	\$ 746,947	\$ (57,193)
Special Revenue Funds:			
Road & Bridge	75,000	75,455	(455)
State Highway Improvement	5,000	7,325	(2,325)
Motor Vehicle License	10,500	24,151	(13,651)
CVNP Planning	-	207	(207)
Capital Projects Funds:			
Sidewalk Improvements	4,500	7,584	(3,084)
Riverview Road	-	6,689	(6,689)
Total	\$ 784,754	\$ 868,358	\$ (83,604)

The legal level of control citations were not listed since the Village was already cited at the fund level.

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-PEN-001 – (continued)

We recommend Council and the Clerk-Treasurer compare expenditures to appropriations periodically. If additional appropriations are needed, then Council and the Clerk-Treasurer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management Response:

Overall, the Village of Peninsula Mayor, Clerk-Treasurer and Solicitor are in the process of addressing procedural changes in the Clerk-Treasurer's office, including changing over to the State of Ohio Uniform Accounting Network. Over the next year, we hope to institute changes, which will prevent expenditures exceeding the appropriations in the future.

FINDING NUMBER 2005-PEN-002

Material Weakness

Management has a key role to play in ensuring the Village establish and maintain effective internal controls. Accordingly, Village management must establish procedures to ensure and document that the Village is complying with applicable legal requirements.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citation and the lack of timely bank reconciliations included in this report.

We recommend Village Council become more actively involved in monitoring the financial activity of the Village. Village Council should assure that the Village Clerk-Treasurer performs a monthly bank reconciliation that includes total fund balances being reconciled to total deposits and investments, detailing outstanding checks and any other reconciling items. Village Council should then review the validity of the computations and attest to the reconciliation's accuracy.

Village Council should also assure the Clerk-Treasurer maintains and presents to Council monthly the following records; receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Supervisory reviews should be performed by members of Village Council and evidenced by the initials of each member performing the review and the date the review was performed.

The presentation of these records and reviews by Village Council should be noted in Council's minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2005-PEN-002 - (continued)

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village. The Village Clerk-Treasurer, Council and Mayor should become familiar with the Ohio Compliance Supplement, which has been provided to the Village, and use this as a tool to assist them in complying with applicable Ohio laws and regulations.

Monitoring controls could be implemented where Village Council could function as a finance and audit committee to monitor financial activity closely and to follow up on any audit findings.

Management Response:

Overall, the Village of Peninsula Clerk-Treasurer is in the process of addressing procedural changes in the Clerk-Treasurer's office and monitoring activities. Over the next year, we hope to institute changes in accordance with the accounting standards that will address this material weakness found.

**VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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
2003-001	Section 5705.41(B) Ohio Revised Code - Expenditures and encumbrances not to exceed appropriations	No	Repeated with 2005-PEN-001
2003-002	Section 5705.10 Ohio Revised Code - Negative fund balances	No	Partially corrected and moved to Management Letter.
2003-003	Section 5705.41(D) - Blanket and Super Blanket certificates open beyond end of year.	Yes	No Blanket or Super Blanket certificates issued during the audit.



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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
DECEMBER 26, 2006**