

**VILLAGE OF PENINSULA
SUMMIT COUNTY, OHIO**

AUDIT REPORT

For the Years Ended December 31, 2011 and 2010

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Peninsula, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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.

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Dave Yost
Auditor of State

December 11, 2012

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**VILLAGE OF PENINSULA
SUMMIT COUNTY
For the Years Ended December 31, 2011 and 2010**

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT ACCOUNTANTS' REPORT

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, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Peninsula, Summit County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Peninsula, Summit County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2012, 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. 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 the 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.

A handwritten signature in black ink that reads "Charles Harris Associates". The signature is written in a cursive, slightly slanted style.

CHARLES E. HARRIS & ASSOCIATES, INC.
August 13, 2012

Village of Peninsula
Summit County, Ohio
*Combined Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2011

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 10,871	\$ 86,920	-	\$ 97,791
Municipal Income Tax	294,182	-	-	294,182
Intergovernmental	133,653	87,581	\$ 46,467	267,701
Charges for Services	206,788	-	-	206,788
Fines, Licenses and Permits	61,568	5,120	-	66,688
Earnings on Investments	181	4	-	185
Miscellaneous	12,609	-	-	12,609
<i>Total Cash Receipts</i>	<u>719,852</u>	<u>179,625</u>	<u>46,467</u>	<u>945,944</u>
Cash Disbursements				
Current:				
Security of Persons and Property	404,096	57,545	-	461,641
Public Health Services	6,819	-	-	6,819
Basic Utility Services	4,221	-	-	4,221
Transportation	87,664	103,814	-	191,478
General Government	191,717	5,861	-	197,578
Capital Outlay	-	-	46,125	46,125
<i>Total Cash Disbursements</i>	<u>694,517</u>	<u>167,220</u>	<u>46,125</u>	<u>907,862</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	25,335	12,405	342	38,082
Other Financing Receipts (Disbursements)				
Advances In	-	2,000	-	2,000
Advances Out	-	(2,000)	-	(2,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	25,335	12,405	342	38,082
<i>Fund Cash Balances, January 1</i>	<u>56,269</u>	<u>100,999</u>	<u>1,244</u>	<u>158,512</u>
Fund Cash Balances, December 31				
Restricted	-	113,405	1,585	114,990
Unassigned	81,604	-	-	81,604
<i>Fund Cash Balances, December 31</i>	<u>\$ 81,604</u>	<u>\$ 113,405</u>	<u>\$ 1,585</u>	<u>\$ 196,594</u>

See accompanying Notes to the Financial Statements.

Village of Peninsula
Summit County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances
All Fiduciary Fund Types
For the Year Ended December 31, 2011

	Fiduciary Fund Types
	Agency Funds
Non-operating Cash Receipts	
Mayor's Court Receipts	\$ 72,017
Non-operating Cash Disbursements	
Mayor's Court Disbursements	72,017
<i>Excess of Receipts over Disbursements</i>	-
<i>Fund Cash Balances, January 1</i>	1,011
<i>Fund Cash Balances, December 31</i>	\$ 1,011

See accompanying Notes to the Financial Statements.

Village of Peninsula
Summit County, Ohio
*Combined Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010*

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 12,412	\$ 96,908	-	\$ 109,320
Municipal Income Taxes	291,726	-	-	291,726
Intergovernmental	154,546	53,823	\$ 44,712	253,081
Charges for Services	197,893	-	-	197,893
Fines, Licenses, and Permits	78,537	5,335	-	83,872
Earnings on Investments	415	-	-	415
Miscellaneous	2,543	-	-	2,543
Total Receipts	738,072	156,066	44,712	938,850
Disbursements:				
Current:				
Security of Persons and Property	416,717	46,074	-	462,791
Public Health Services	6,849	-	-	6,849
Community Environment	7,838	-	-	7,838
Transportation	88,761	96,618	-	185,379
General Government	192,650	7,068	-	199,718
Capital outlay	-	-	65,339	65,339
Total Disbursements	712,815	149,760	65,339	927,914
Excess of Receipts Over/(Under) Disbursements	25,257	6,306	(20,627)	10,936
Other Financing Receipts/(Disbursements):				
Transfer-In	-	15,833	-	15,833
Transfer-Out	(15,833)	-	-	(15,833)
Advances-In	11,050	4,000	-	15,050
Advances-Out	(4,000)	(11,050)	-	(15,050)
Total Other Financing Receipts/(Disbursements)	(8,783)	8,783	-	-
Excess of Receipts and Other Financing Receipts Over/(Under) Disbursements and Other Financing Disbursements	16,474	15,089	(20,627)	10,936
Fund Balance January 1	39,795	85,910	21,871	147,576
Fund Balance December 31	\$ 56,269	\$ 100,999	\$ 1,244	\$ 158,512
Reserve for Encumbrances, December 31	\$ 3,702	\$ 1,101	\$ -	\$ 4,803

See accompanying Notes to the Financial Statements.

Village of Peninsula
Summit County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances
All Fiduciary Funds
For the Year Ended December 31, 2010

	<u>Fiduciary Fund Types</u>	
	<u>Agency Funds</u>	
Non-Operating Receipts:		
Mayor's Court Receipts	\$	103,327
Non-Operating Disbursements:		
Mayor's Court Disbursements		<u>103,327</u>
Excess of Receipts Over/(Under) Disbursements		-
Fund Balance January 1	\$	<u>1,011</u>
Fund Balance December 31	\$	<u><u>1,011</u></u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

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 an interest-bearing checking account and certificates of deposit.

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure 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 Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project fund:

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

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:

Mayor's Court Fund – This 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 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF PENINSULA
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

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 also 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 2011 and 2010 budgetary activity appears in Note 3.

F. **Fund Balance**

For December 31, 2011, 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 (resolution). The Village must adhere to these commitments unless the Council amends the 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.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

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.

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:

	2011		2010
Demand deposits	\$ 153,510	\$	191,585
Certificates of deposits	6,013		6,020
Total deposits	\$ 159,523	\$	197,605

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

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 728,882	\$ 719,852	\$ (9,030)
Special Revenue	298,450	181,625	(116,825)
Capital Projects	51,767	46,467	(5,300)
Total	<u>\$ 1,079,099</u>	<u>\$ 947,944</u>	<u>\$ (131,155)</u>

2011 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 752,857	\$ 694,517	\$ 58,340
Special Revenue	213,169	169,220	43,949
Capital Projects	53,000	46,125	6,875
Total	<u>\$ 1,020,869</u>	<u>\$ 909,862</u>	<u>\$ 109,164</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 729,126	\$ 749,122	\$ 19,996
Special Revenue	154,838	175,899	21,061
Capital Projects	44,712	44,712	0
Total	<u>\$ 928,676</u>	<u>\$ 969,733</u>	<u>\$ 41,057</u>

2010 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 770,435	\$ 736,350	\$ 34,085
Special Revenue	213,898	161,911	51,987
Capital Projects	65,339	65,339	0
Total	<u>\$ 1,049,672</u>	<u>\$ 963,600</u>	<u>\$ 86,072</u>

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.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax (continued)

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

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 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. The future minimum lease payments and the net present value of minimum lease payments under these capital leases as of December 31, 2011 were as follows:

Year Ending December 31	<u>Amounts</u>
2012	\$ 11,399
2013	<u>3,723</u>
	15,122
Less: Amount representing interest	<u>(437)</u>
Present value of minimum lease payments	<u>\$ 14,695</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. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

Management believes there are no material pending claims or lawsuits.

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.

Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' 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 44264-0177

To the Village Council:

We have audited the financial statements of the Village of Peninsula, Summit County (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 13, 2012 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. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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*.

Internal Control 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings 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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Also, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 13, 2012.

We intend this report solely for the information and use of management, the Village Council and others within the Village. We intend it for no one other than these specified parties.



CHARLES E. HARRIS & ASSOCIATES, INC.

August 13, 2012

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Material Weakness

Bank Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statements and the cash and investment balances according to the entity's records at a specific point in time.

In 2011, the Village did not fully reconcile the balance of the bank and the balance of cash in the accounting records. 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.

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 is 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:

We acknowledge that there were some problems with the year end reconciliation. Due to a sudden resignation and a new hire for the part time assistant to the Fiscal Officer in December of 2011, there was a lag in some postings. The primary responsibility of the assistant to the Fiscal Officer is performing the payroll functions. As such, some withholdings were not posted before the end of the year. The problem has been corrected as the necessary adjustments have been made. All reconciliations are now performed promptly and correctly. We do recognize that someone other than the signer of the checks should perform the reconciliations. As such, the Village will look into hiring an independent professional to perform or review the monthly reconciliations.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011 and 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources	No	Partially Corrected. Moved to Management letter
2009-002	Ohio Revised Code Section 5705.36 (A)(4) – Amending estimated resources	Yes	Finding No Longer Valid



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
DECEMBER 20, 2012