



Dave Yost • Auditor of State

VILLAGE OF PENINSULA
SUMMIT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Peninsula
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 and related notes of the Village of Peninsula, Summit County, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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

As described in Note 1.B 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, 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, 2013 and 2012, 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.B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2014

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$11,061	\$93,604	\$0	\$104,665
Municipal Income Tax	300,541	0	0	300,541
Intergovernmental	87,159	48,437	28,606	164,202
Charges for Services	220,470	0	0	220,470
Fines, Licenses and Permits	43,232	1,096	0	44,328
Earnings on Investments	38	15	0	53
Miscellaneous	13,975	0	0	13,975
<i>Total Cash Receipts</i>	<u>676,476</u>	<u>143,152</u>	<u>28,606</u>	<u>848,234</u>
Cash Disbursements				
Current:				
Security of Persons and Property	408,425	43,840	0	452,265
Public Health Services	7,195	0	0	7,195
Community Environment	3,245	0	0	3,245
Transportation	93,305	79,595	0	172,900
General Government	181,378	4,223	0	185,601
Capital Outlay	0	0	46,190	46,190
<i>Total Cash Disbursements</i>	<u>693,548</u>	<u>127,658</u>	<u>46,190</u>	<u>867,396</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,072)</u>	<u>15,494</u>	<u>(17,584)</u>	<u>(19,162)</u>
Other Financing Receipts (Disbursements)				
Transfers In	1,263	0	0	1,263
Transfers Out	0	(1,263)	0	(1,263)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,263</u>	<u>(1,263)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(15,809)</u>	<u>14,231</u>	<u>(17,584)</u>	<u>(19,162)</u>
<i>Fund Cash Balances, January 1</i>	<u>45,781</u>	<u>91,773</u>	<u>20,196</u>	<u>157,750</u>
Fund Cash Balances, December 31				
Restricted	0	106,004	2,612	108,616
Unassigned (Deficit)	29,972	0	0	29,972
<i>Fund Cash Balances, December 31</i>	<u>\$29,972</u>	<u>\$106,004</u>	<u>\$2,612</u>	<u>\$138,588</u>

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

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$10,687	\$93,750	\$0	\$104,437
Municipal Income Tax	297,834	0	0	297,834
Intergovernmental	89,236	56,768	37,977	183,981
Charges for Services	215,762	0	0	215,762
Fines, Licenses and Permits	54,206	3,507	0	57,713
Earnings on Investments	87	0	0	87
Miscellaneous	24,724	0	0	24,724
<i>Total Cash Receipts</i>	<u>692,536</u>	<u>154,025</u>	<u>37,977</u>	<u>884,538</u>
Cash Disbursements				
Current:				
Security of Persons and Property	414,039	51,842	0	465,881
Public Health Services	7,100	0	0	7,100
Community Environment	3,817	0	0	3,817
Transportation	98,556	97,813	0	196,369
General Government	204,864	26,002	0	230,866
Capital Outlay	0	0	19,366	19,366
<i>Total Cash Disbursements</i>	<u>728,376</u>	<u>175,657</u>	<u>19,366</u>	<u>923,399</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,840)</u>	<u>(21,632)</u>	<u>18,611</u>	<u>(38,861)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	17	0	0	17
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17</u>	<u>0</u>	<u>0</u>	<u>17</u>
<i>Net Change in Fund Cash Balances</i>	<u>(35,823)</u>	<u>(21,632)</u>	<u>18,611</u>	<u>(38,844)</u>
<i>Fund Cash Balances, January 1</i>	<u>81,604</u>	<u>113,405</u>	<u>1,585</u>	<u>196,594</u>
Fund Cash Balances, December 31				
Restricted	0	91,773	20,196	111,969
Unassigned (Deficit)	45,781	0	0	45,781
<i>Fund Cash Balances, December 31</i>	<u>\$45,781</u>	<u>\$91,773</u>	<u>\$20,196</u>	<u>\$157,750</u>

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

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - AGENCY FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	Agency 2013	Agency 2012
Operating Cash Receipts		
<i>Total Operating Cash Receipts</i>	\$11,172	\$77,948
Operating Cash Disbursements		
<i>Total Operating Cash Disbursements</i>	11,271	77,598
<i>Net Change in Fund Cash Balances</i>	(99)	350
<i>Fund Cash Balances, January 1</i>	1,361	1,011
<i>Fund Cash Balances, December 31</i>	\$1,262	\$1,361

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

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**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 services 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 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 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.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

Road Levy Fund - This fund receives tax proceeds from the 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 funds:

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 funds account for the activity of the Village's Mayor's Court and Unclaimed Monies.

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/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.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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 (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, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (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:

	2013	2012
Demand deposits	\$128,996	\$154,957
Certificates of deposit	6,027	6,024
Total deposits	\$135,023	\$160,981

At December 31, 2013 and 2012, the Village had unreconciled variances of (\$4,827) and \$1,870, respectively

Deposits: Deposits are insured by the Federal Depository Insurance Corporation

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$685,509	\$677,739	(\$7,770)
Special Revenue	137,991	143,152	5,161
Capital Projects	50,000	28,606	(21,394)
Total	\$873,500	\$849,497	(\$24,003)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$706,965	\$693,778	\$13,187
Special Revenue	199,290	128,921	70,369
Capital Projects	38,000	46,190	(8,190)
Total	\$944,255	\$868,889	\$75,366

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$713,715	\$692,553	(\$21,162)
Special Revenue	150,958	154,025	3,067
Capital Projects	50,000	37,977	(12,023)
Total	\$914,673	\$884,555	(\$30,118)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$777,590	\$728,377	\$49,213
Special Revenue	205,331	175,657	29,674
Capital Projects	38,000	19,366	18,634
Total	\$1,020,921	\$923,400	\$97,521

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the CVNP Capital Grants fund by \$8,190 for the year ended December 31, 2013.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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 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.

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.

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, 2013 were as follows:

<u>Year</u>	<u>Amounts</u>
2014	\$20,022
2015	20,022
2016	<u>13,032</u>
	53,076
Less: Amount representing interest	(2,406)
Present value of minimum lease payments	<u><u>\$50,670</u></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.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. From January 2012 to June 2013, OP&F participants contributed 10% of their wages. From July 2013 to December 2013, OP&F participants contributed 10.75% of their wages. For FY12 and FY13, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For FY12 and FY13, 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, 2013.

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 is 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 principally the federal government. 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.

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 consist of six members, three from each 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.

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Dave Yost • Auditor of State

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

Village of Peninsula
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 the Village of Peninsula, Summit County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 30, 2014 wherein we noted the Village followed 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 opinion 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.

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

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 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. We consider findings 2013-003 through 2013-005 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2014

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code §5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "Then and Now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Eleven of sixty-two (17%) of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. Additionally, the Village had 14 purchase orders (out of sixty-two or 23%) over \$3,000 which were issued with "then and now" certifications which were not approved by council.

FINDING NUMBER 2013-001 (Continued)

Unless the exceptions noted above are utilized, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are, or will be available, prior to the obligation by the Village. When prior certification is not possible, "Then and Now" certification should be used.

Official's Response: Procedures are now in place to ensure compliance. All purchase orders are now certified on the date of the receipt or ordering of the goods or services. Council approves all bills at their month meeting. In those cases, they are approved prior to the Purchase Order being issued except in the cases of items which had prior approval (i.e. Police Vehicle Leases, Dispatch Contract).

FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code §5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. Expenditures exceeded appropriations within the CVNP Capital Grants Fund by \$8,190 during 2013.

The Village should ensure expenditures do not exceed appropriations. The Fiscal Officer may request that Council increase the approved expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.

Official's Response: This was an oversight on my part. Council did approve the grant and the expenditure, however. Also, I was told the ORC 5705.42 states that all Federal Grants awarded to political subdivisions are deemed appropriated.

FINDING NUMBER 2013-003

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 entity's records at a specific point in time.

During 2013 and 2012, 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 of (\$4,827) and \$1,870 at December 31, 2013 and 2012, respectively. Additionally, corrective entries for reconciling items identified by the Fiscal Officer totaling \$3,698 and \$6 for 2013 and 2012, respectively, have not yet been recorded to the system.

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.

FINDING NUMBER 2013-003 (Continued)

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.

Official's Response: I have been working diligently on reconciling the balances. Upon the information given to me about the adjustment to the beginning balance, the reconciliation is a lot closer. Upon completion, if the difference is immaterial, I will ask Council to authorize any needed adjusting entry.

FINDING NUMBER 2013-004

Material Weakness - Payroll Procedures

During testing of payroll expenditures, the following deficiencies were noted:

- Although the Village is in the process of developing one, no formal job description existed for the Zoning Inspector/Clerk position.
- Formal Council approval of the appointment of the current Fiscal Office Assistant could not be located.
- Although both the Mayor and the Fiscal Officer approved the performance of Village tasks at home by one of the Clerks, such as typing up Council meeting minutes, no policy could be located regarding the practice of working from home.
- For 7 out of 52 paychecks tested for 2013 and 1 out of 24 paychecks tested for 2012, total hours paid per the Wage and Overtime Detail Report did not agree to the supporting documentation.
- For 20 out of 42 paychecks tested for 2013 and 5 out of 64 paychecks tested for 2012, the documentation supporting the total hours paid contained computation errors.
- For 2 out of 28 paychecks tested for 2013 and 2 out of 24 paychecks tested for 2012, the employee was paid less than 2 hours for a meeting for which a minimum of two hours should have been paid.
- For 43 out of 61 timecards tested for 2013 and 39 out of 44 timecards tested for 2012, the employee did not sign the timecard as verification of the hours worked.
- For 40 out of 61 timecards tested for 2013 and 39 out of 44 timecards tested for 2012, the supervisor did not sign the timecard as evidence of review and approval of the hours worked.
- For 17 out of 17 emails reviewed which were utilized to support the total hours worked for 2013 and for 18 out of the 22 emails reviewed for 2012, the documentation included summary information only (i.e. total hours for the pay only).
- For 16 out of 31 timecards tested for 2013 and 1 out of 4 timecards tested for 2012, the timecard included incomplete documentation of hours worked and/or unexplained adjustments to total hours.
- For 8 out of 10 paychecks tested for 2013 and 6 out of 9 paychecks tested for 2012, evidence of the legislative approval of the pay rate could not be located.

FINDING NUMBER 2013-004 (Continued)

In order to address these deficiencies and improve internal controls over payroll procedures, the Village should:

- o Ensure all paid positions have formal job descriptions.
- o Ensure all appointments are formally approved.
- o Develop a policy and/or written procedures regarding working from home.
- o Ensure all hours paid are supported by approved timecards, timesheets or other written documentation.
- o Ensure all timesheets or other documentation supporting the total hours worked are reviewed for accuracy.
- o Ensure employees are paid in accordance with employee handbook.
- o Ensure all timesheets are properly signed by the employee.
- o Ensure all timesheets are signed by the supervisor as evidence of their review.
- o Ensure all timesheets contain detailed information such as specific days worked and/or hours per day.
- o Ensure all adjustments to hours are fully documented.
- o Ensure documentation of legislative approval of all pay rates is maintained.

Official's Response: The whole payroll process has been revamped. We no longer use time cards. The time sheets are signed off by the employee, supervisor, Fiscal Officer and the Mayor. In addition, all hour calculations are double checked by the Fiscal Office. The Village is in the process of compiling a detail job description for all employees. All wage increases are documented by Ordinance. Emails are no longer accepted as documentation for hours worked. We are also reviewing the entire employee handbook to ensure compliance and will update it to have a better audit trail.

FINDING NUMBER 2013-005

Material Weakness - Mayor's Court Activity

The Village's financial accounting system reflected a combined balance in the Agency Funds of \$1,011, which represents the 2011 ending balance of these funds; however, the activity of the Court for 2012 and 2013 was never recorded. The Agency Fund cash receipts and cash disbursements were understated by \$77,948 and \$77,598, respectively, for 2012 and \$11,172 and \$11,271, respectively, for 2013. The financial statements were subsequently adjusted to reflect this activity. In addition, although the Court suspended operation in March 2013, the bank accounts associated with the Court were never closed.

If the Village's intention is to reopen the Mayor's Court, the Village should ensure all activity of the Court is properly reflected in the Agency Funds. If, however, the Village's intention is to permanently close the Court, the Village should close out the bank accounts, ensuring the proper remittance of all remaining funds.

Official's Response: We did not receive a response from Officials to this finding.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Bank Reconciliations - The Village did not fully reconcile the balance of the bank and the balance of cash in the accounting records.	Not Corrected	See Finding 2013-003

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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
JANUARY 08, 2015**