

VILLAGE OF PENINSULA

SUMMIT COUNTY

Audit Report

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

Village Council
Village of Peninsula
PO Box 177
Peninsula, OH 44264

We have reviewed the *Independent Auditor's Report* of the Village of Peninsula, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Peninsula is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 26, 2018

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**VILLAGE OF PENINSULA
SUMMIT COUNTY**

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

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Peninsula, Summit County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Peninsula, Summit County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 30, 2018

Village of Peninsula, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$10,888	\$106,234	\$0	\$117,122
Municipal Income Tax	499,335	0	0	499,335
Intergovernmental	116,677	41,210	0	157,887
Charges for Services	250,684	0	0	250,684
Fines, Licenses and Permits	63,553	338	0	63,891
Earnings on Investments	119	0	0	119
Miscellaneous	125,999	0	0	125,999
<i>Total Cash Receipts</i>	<u>1,067,255</u>	<u>147,782</u>	<u>0</u>	<u>1,215,037</u>
Cash Disbursements				
Current:				
Security of Persons and Property	492,793	51,809	0	544,602
Public Health Services	8,000	0	0	8,000
Community Environment	1,815	0	0	1,815
Transportation	279,724	118,405	0	398,129
General Government	265,094	1,847	0	266,941
<i>Total Cash Disbursements</i>	<u>1,047,426</u>	<u>172,061</u>	<u>0</u>	<u>1,219,487</u>
<i>Net Change in Fund Cash Balances</i>	19,829	(24,279)	0	(4,450)
<i>Fund Cash Balances, January 1</i>	<u>486,918</u>	<u>118,133</u>	<u>2,612</u>	<u>607,663</u>
Fund Cash Balances, December 31				
Restricted	0	93,854	2,612	96,466
Assigned	24,415	0	0	24,415
Unassigned	482,332	0	0	482,332
<i>Fund Cash Balances, December 31</i>	<u><u>\$506,747</u></u>	<u><u>\$93,854</u></u>	<u><u>\$2,612</u></u>	<u><u>\$603,213</u></u>

See accompanying notes to the financial statements

Village of Peninsula, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2017

	Fiduciary Fund Types
	Agency
Operating Cash Receipts	
Income Tax	\$138,936
<i>Total Operating Cash Receipts</i>	138,936
Operating Cash Disbursements	
Contractual distribution of Income tax	134,767
Collection fees	4,169
<i>Total Operating Cash Disbursements</i>	138,936
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	296
<i>Fund Cash Balances, December 31</i>	\$296

See accompanying notes to the financial statements

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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

Jointly Governed Organization

The Village participates in a Joint Economic Development District (JEDD) with Boston Township, a jointly governed organization. Note 12 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Road Levy Fund The road levy fund accounts for and reports the portion of property tax money generated from a special levy for the purpose of maintaining and repairing Village roads.

Police Levy Fund The police levy fund accounts for and reports the portion of property tax money generated from a special levy for the purpose of funding the Village's police department.

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

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

CVNP Capital Grants Fund The CVNP capital grants fund accounts for and reports the receipt of monies from federal grants for the Cuyahoga Valley National Park road project.

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fine monies from traffic violations and other Mayor's Court activities. The Village suspended its Mayor's Court in March 2013, however it kept a balance in its bank account. The agency fund also accounts for Boston Township – Village of Peninsula Joint Economic District, of which the Village is the fiscal agent. Note 12 to the financial statements provides additional information for this entity.

Basis of Accounting

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 disbursements 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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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.

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 2017 budgetary activity appears in Note 3.

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Capital Assets

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

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.

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:

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

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.

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

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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Street Construction, Maintenance and Repair Fund and Drug Law Enforcement Fund by \$3,545 and \$510, respectively. Contrary to Ohio law, the Village had negative fund balance in the Police Levy Fund and Drug Law Enforcement Fund by \$23,569 and \$250, respectively.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,043,626	\$ 1,067,255	\$ 23,629
Special Revenue	146,325	147,782	1,457

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,219,014	\$ 1,071,841	\$ 147,173
Special Revenue	239,718	172,393	67,325

Note 5 – 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 at December 31 was as follows:

Demand deposits	2017 \$ 597,469
Certificates of deposit	6,040
Total deposits and investments	\$ 603,509

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Taxes

Property Taxes

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.

Local Income Taxes

The Village levies a municipal income tax of 2% 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.

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years and coverage limits have not been significantly reduced from the previous year.

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Pension Fund

All of the Village's full-time Police Officers and certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017, and OP&F contributed 0.5% to fund these benefits.

Note 10 – Leases

The Village leases vehicles and other equipment under noncancelable leases. The Village disbursed \$38,403 to pay lease costs for the year ended December 31, 2017. The final payments for all of the leases were made during 2017.

Note 11 – Contingent Liabilities

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

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Jointly Governed Organizations

The Village participates in a Joint Economic Development District (JEDD) with Boston Township. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Village and the Township. The Village and the Township shall work together to provide or cause to be provided water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each of the participating subdivisions. 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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Village of Peninsula, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$10,952	\$88,761	\$0	\$99,713
Municipal Income Tax	493,393	0	0	493,393
Intergovernmental	92,130	43,858	0	135,988
Charges for Services	249,689	0	0	249,689
Fines, Licenses and Permits	59,708	195	0	59,903
Earnings on Investments	38	0	0	38
Miscellaneous	14,243	0	0	14,243
<i>Total Cash Receipts</i>	<u>920,153</u>	<u>132,814</u>	<u>0</u>	<u>1,052,967</u>
Cash Disbursements				
Current:				
Security of Persons and Property	436,837	54,192	0	491,029
Public Health Services	7,449	0	0	7,449
Community Environment	3,878	0	0	3,878
Transportation	76,377	65,447	0	141,824
General Government	238,085	1,534	0	239,619
<i>Total Cash Disbursements</i>	<u>762,626</u>	<u>121,173</u>	<u>0</u>	<u>883,799</u>
<i>Net Change in Fund Cash Balances</i>	157,527	11,641	0	169,168
<i>Fund Cash Balances, January 1</i>	<u>329,391</u>	<u>106,492</u>	<u>2,612</u>	<u>438,495</u>
Fund Cash Balances, December 31				
Restricted	0	118,133	2,612	120,745
Assigned	9,399	0	0	9,399
Unassigned	477,519	0	0	477,519
<i>Fund Cash Balances, December 31</i>	<u><u>\$486,918</u></u>	<u><u>\$118,133</u></u>	<u><u>\$2,612</u></u>	<u><u>\$607,663</u></u>

See accompanying notes to the financial statements

Village of Peninsula, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2016

	Fiduciary Fund Types
	Agency
Operating Cash Receipts	
Income Tax	\$140,374
<i>Total Operating Cash Receipts</i>	140,374
Operating Cash Disbursements	
Contractual distribution of Income tax	134,457
Collection fees	5,917
<i>Total Operating Cash Disbursements</i>	140,374
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	296
<i>Fund Cash Balances, December 31</i>	\$296
<i>See accompanying notes to the financial statements</i>	

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

CVNP Capital Grants Fund The CVNP capital grants fund accounts for and reports the receipt of monies from federal grants for the Cuyahoga Valley National Park road project.

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Budgetary Process

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Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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.

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 2016 budgetary activity appears in Note 3.

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Capital Assets

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

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.

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:

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

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.

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

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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Police Levy Fund and Drug Law Enforcement Fund by \$38,127 and \$660, respectively. Contrary to Ohio law, the Village had negative fund balance in the Police Levy Fund and Drug Law Enforcement Fund by \$26,515 and \$400, respectively.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 977,190	\$ 920,153	\$ (57,037)
Special Revenue	143,833	132,814	(11,019)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 940,481	\$ 772,025	\$ 168,456
Special Revenue	173,463	122,481	50,982

Note 5 – 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 at December 31 was as follows:

Demand deposits	\$ 601,920
Certificates of deposit	6,039
Total deposits and investments	\$ 607,959

Deposits

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

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Taxes

Property Taxes

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.

Local Income Taxes

The Village levies a municipal income tax of 2% 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.

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years and coverage limits have not been significantly reduced from the previous year.

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Pension Fund

All of the Village’s full-time Police Officers and certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages and 24% of full-time fire fighters’ wages, respectively. The Village has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2% during calendar year 2016, and OP&F contributed 0.5% to fund these benefits.

Note 10 – Leases

The Village leases vehicles and other equipment under noncancelable leases. The Village disbursed \$42,452 to pay lease costs for the year ended December 31, 2016.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Leases
<u>2017</u>	<u>\$38,403</u>

Village of Peninsula
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Contingent Liabilities

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

Note 12 – Jointly Governed Organizations

The Village participates in a Joint Economic Development District (JEDD) with Boston Township. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Village and the Township. The Village and the Township shall work together to provide or cause to be provided water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each of the participating subdivisions. 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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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Peninsula, Summit County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 1, 2018, 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and that we consider to be material weaknesses as items 2017-001 and 2017-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2017-002 and 004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 1, 2018.

Village's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
July 1, 2018

VILLAGE OF PENINSULA
SUMMIT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness – Bank Reconciliation

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

During 2017 and 2016, the Village did not fully reconcile the balance of the bank to the balance of the cash in the accounting records, resulting in unreconciled differences in 2017 and 2016. A primary cause of the unreconciled difference was due to payroll withholdings for taxes and retirement benefits not being posted to the accounting system in a timely fashion. Other causes are: receipts from the state and other agencies that remit payments electronically in the Village's bank account; transactions paid electronically from the bank account; and interest income from the checking account and certificate of deposits. These adjustments were made in the audited financial statements and Village's books.

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

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

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2017-002

Material Non-Compliance – Negative Fund Balance

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

In 2016, the Police Levy Fund and Drug Law Enforcement Fund ended the year with negative fund balances of \$26,515 and \$400, respectively. In 2017, the Police Levy Fund and Drug Law Enforcement Fund had ending negative fund balances of \$23,569 and \$250, respectively.

VILLAGE OF PENINSULA
SUMMIT COUNTY

SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002 - continued

The negative balances were partly due to the cash not being reconciled as referenced in Finding 2017-001. As a result, the Village was not able to properly monitor that correct balances by fund. We recommend that the Village cash reconciliation be done on a monthly basis so that it can better track its budget and fund balances.

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2017-003

Material Weakness: Accounting for the Income Tax Revenue of the Boston Township – Village of Peninsula Joint Economic Development District

The Village is a member of, and fiscal agent for, the Boston Township – Village of Peninsula Joint Economic Development District (JEDD), which is a joint economic development district established under Section 715.71 of the Ohio Revised Code. In accordance with Section 715.71(G) of the Ohio Revised Code, the Board of the JEDD shall enter into an agreement with the Village to administer, collect and enforce the income tax on behalf of the JEDD. The Tax Agreement shall provide that the Village Fiscal Officer shall be the Administrator of the income tax of the JEDD, who shall be responsible for the receipt, safekeeping and investment of the income tax revenues collected within the JEDD area.

The Village records the JEDD member contributions directly into the General Fund.

Due to the custodial nature of the Village acting as fiscal agent for JEDD, the Village should establish an Agency Fund to properly account for the required JEDD member contributions and subsequent disbursements to Boston Township and the Village. The revenues disbursed to the Village can be used by the Village for any purpose not prohibited by law. The revenues so paid and credited to Boston Township shall be used by the Township to encourage and promote economic development, including, but not limited to, maintaining and improving the infrastructure facilities of the Township, providing safety and health services within the Township, providing urban development planning, counseling and financing services and other purposes permitted by law.

Adjustments were made to reclassify the income tax share of the JEDD out of the General Fund and into the Agency Fund.

Management Response:

We did not receive a response from management.

VILLAGE OF PENINSULA
SUMMIT COUNTY

SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004

Material Non-Compliance - Appropriations Exceeded Estimated Resources

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. We noted the Village’s appropriations exceeded estimated resources in the following funds and amounts:

2016:		
	Police Levy	\$38,127
	Drug Law Enforcement	660
2017:		
	Street Construction, Maintenance & Repair	\$3,545
	Drug Law Enforcement	510

We recommend that the Village monitor its budget and balances by fund regularly in order to avoid appropriations from exceeding estimated resources.

Management Response:

We did not receive a response from management.

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Explanation
2015-001	Material Weakness – Bank Reconciliation	Not Corrected	Repeated as Finding 2017-001
2015-002	Material Non- Compliance - Ohio Rev. Code §5705.10(I) - Negative Fund Balance	Not Corrected	Repeated as Finding 2017-002

**VILLAGE OF PENINSULA
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2017 and 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	<p>Material Weakness – Bank Reconciliation: The Village is looking into hiring an independent accountant to provide these services and to maintain the proper segregation of duties</p>	As soon as possible	John Stiegel, Fiscal Officer
2017-002	<p>Material Non-Compliance – Negative Fund Balance: The reason for the negative balances in the fund was because certain expenditures that were supposed to be charged to the General Fund were charged to this fund due to an oversight. Adjustments will be made to charge these to the proper fund so there will no longer be a negative balance in this fund.</p>	Immediately	John Stiegel, Fiscal Officer



Dave Yost • Auditor of State

VILLAGE OF PENINSULA

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2018