



**Auditor of State
Betty Montgomery**

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	8
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	11
Notes to the Financial Statements.....	13
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	23
Schedule of Prior Audit Findings	25

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Marblehead
Ottawa County
513 West Main Street, P.O. Box 306
Lakeside-Marblehead, Ohio 43440-0306

To the Village Council:

We have audited the accompanying financial statements of the Village of Marblehead, Ottawa County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 7, 2004

This page intentionally left blank.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts		
Property Tax and Other Local Taxes	\$ 223,925	\$ -
Intergovernmental Receipts	146,132	108,948
Charges for Services	275	129,000
Fines, Licenses, and Permits	844	7,503
Earnings on Investments	1,846	258
Miscellaneous	45,584	8,287
Total Cash Receipts	418,606	253,996
Cash Disbursements		
Current:		
Security of Persons and Property	219,483	117,503
Public Health Services	6,599	-
Leisure Time Activities	2,979	-
Community Environment	-	5,715
Transportation	-	63,284
General Government	132,458	-
Debt Service:		
Principal Payments	14,793	-
Interest Payments	-	-
Capital Outlay	-	51,082
Total Cash Disbursements	376,312	237,584
Total Receipts Over/(Under) Disbursements	42,294	16,412
Other Financing Receipts and (Disbursements)		
Transfers-In	11,507	12,000
Transfers-Out	(12,000)	(11,507)
Total Other Financing Receipts/(Disbursements)	(493)	493
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,801	16,905
Fund Cash Balances, January 1	217,152	179,584
Fund Cash Balances, December 31	\$ 258,953	\$ 196,489
Reserves for Encumbrances, December 31	\$ 684	\$ 614

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<u>Governmental Fund Types</u>		Totals (Memorandum Only)
<u>Debt Service</u>	<u>Capital Projects</u>	
\$ 17,735	\$ -	\$ 241,660
-	-	255,080
-	-	129,275
-	-	8,347
-	-	2,104
-	4,020	57,891
<u>17,735</u>	<u>4,020</u>	<u>694,357</u>
-	-	336,986
-	-	6,599
-	-	2,979
-	-	5,715
-	-	63,284
624	-	133,082
13,000	-	27,793
5,037	-	5,037
-	3,379	54,461
<u>18,661</u>	<u>3,379</u>	<u>635,936</u>
<u>(926)</u>	<u>641</u>	<u>58,421</u>
-	-	23,507
-	-	(23,507)
-	-	-
(926)	641	58,421
37,324	1,738	435,798
<u>\$ 36,398</u>	<u>\$ 2,379</u>	<u>\$ 494,219</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,298</u>

This page intentionally left blank.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 314,062	\$ 1,050	\$ 315,112
Miscellaneous	1,077	-	1,077
Total Operating Cash Receipts	<u>315,139</u>	<u>1,050</u>	<u>316,189</u>
Operating Cash Disbursements			
Personal Services	142,693	-	142,693
Fringe Benefits	63,067	-	63,067
Contractual Services	50,993	-	50,993
Supplies and Materials	52,687	-	52,687
Miscellaneous	-	1,291	1,291
Capital Outlay	7,724	-	7,724
Total Operating Cash Disbursements	<u>317,164</u>	<u>1,291</u>	<u>318,455</u>
Operating Loss	<u>(2,025)</u>	<u>(241)</u>	<u>(2,266)</u>
Non-Operating Cash Receipts			
Property Tax and Other Local Taxes	27,092	-	27,092
Special Assessments	15,160	-	15,160
Earnings on Investments	26	-	26
Total Non-Operating Cash Receipts	<u>42,278</u>	<u>-</u>	<u>42,278</u>
Non-Operating Cash Disbursements			
Debt Service	65,414	-	65,414
Other Non-Operating Cash Disbursements	10,754	-	10,754
Total Non-Operating Cash Disbursements	<u>76,168</u>	<u>-</u>	<u>76,168</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(35,915)	(241)	(36,156)
Transfers-In	22,639	-	22,639
Transfers-Out	(22,639)	-	(22,639)
Net Disbursements Over Receipts	(35,915)	(241)	(36,156)
Fund Cash Balances, January 1	<u>145,449</u>	<u>2,650</u>	<u>148,099</u>
Fund Cash Balances, December 31	<u>\$ 109,534</u>	<u>\$ 2,409</u>	<u>\$ 111,943</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts		
Property Tax and Other Local Taxes	\$ 253,310	\$ -
Intergovernmental Receipts	81,752	73,536
Charges for Services	716	136,650
Fines, Licenses, and Permits	4,759	3,840
Earnings on Investments	3,217	1,436
Miscellaneous	51,254	1,075
Total Cash Receipts	<u>395,008</u>	<u>216,537</u>
Cash Disbursements		
Current:		
Security of Persons and Property	128,500	135,369
Public Health Services	7,720	-
Leisure Time Activities	1,544	-
Community Environment	-	3,121
Transportation	44,378	72,072
General Government	174,186	-
Debt Service:		
Principal Payments	15,735	21,103
Interest Payments	7	1,159
Total Cash Disbursements	<u>372,070</u>	<u>232,824</u>
Total Receipts Over/(Under) Disbursements	<u>22,938</u>	<u>(16,287)</u>
Other Financing Receipts and (Disbursements)		
Proceeds of Notes	44,378	-
Transfers-In	-	130,263
Advances-In	110,538	50,000
Transfers-Out	(119,132)	(11,131)
Advances-Out	(50,000)	(110,538)
Other Financing Sources / (Uses)	(64)	-
Total Other Financing Receipts/(Disbursements)	<u>(14,280)</u>	<u>58,594</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,658	42,307
Fund Cash Balances, January 1	<u>208,494</u>	<u>137,277</u>
Fund Cash Balances, December 31	<u><u>\$ 217,152</u></u>	<u><u>\$ 179,584</u></u>
Reserves for Encumbrances, December 31	<u>\$ 4,366</u>	<u>\$ 3,247</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 17,673	\$ -	\$ 270,983
-	-	155,288
-	-	137,366
-	-	8,599
-	-	4,653
-	-	52,329
<u>17,673</u>	<u>-</u>	<u>629,218</u>
-	-	263,869
-	-	7,720
-	-	1,544
-	-	3,121
-	-	116,450
-	-	174,186
12,000	-	48,838
5,968	-	7,134
<u>17,968</u>	<u>-</u>	<u>622,862</u>
<u>(295)</u>	<u>-</u>	<u>6,356</u>
-	-	44,378
-	-	130,263
-	-	160,538
-	-	(130,263)
-	-	(160,538)
-	-	(64)
<u>-</u>	<u>-</u>	<u>44,314</u>
(295)	-	50,670
<u>37,619</u>	<u>1,738</u>	<u>385,128</u>
<u>\$ 37,324</u>	<u>\$ 1,738</u>	<u>\$ 435,798</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,613</u></u>

This page intentionally left blank.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 307,862	\$ 1,350	\$ 309,212
Miscellaneous	131	-	131
Total Operating Cash Receipts	307,993	1,350	309,343
Operating Cash Disbursements			
Personal Services	137,001	-	137,001
Fringe Benefits	53,067	-	53,067
Contractual Services	58,820	-	58,820
Supplies and Materials	43,359	-	43,359
Miscellaneous	-	900	900
Total Operating Cash Disbursements	292,247	900	293,147
Operating Income	15,746	450	16,196
Non-Operating Cash Receipts			
Property Tax and Other Local Taxes	29,958	-	29,958
Special Assessments	13,412	-	13,412
Total Non-Operating Cash Receipts	43,370	-	43,370
Non-Operating Cash Disbursements			
Debt Service	66,568	-	66,568
Total Non-Operating Cash Disbursements	66,568	-	66,568
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(7,452)	450	(7,002)
Transfers-In	22,923	-	22,923
Transfers-Out	(22,923)	-	(22,923)
Net Receipts Over/(Under) Disbursements	(7,452)	450	(7,002)
Fund Cash Balances, January 1	152,901	2,200	155,101
Fund Cash Balances, December 31	\$ 145,449	\$ 2,650	\$ 148,099
Reserve for Encumbrances, December 31	\$ 6,330		\$ 6,330

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

This page intentionally left blank.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Marblehead, Ottawa County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water utilities, park operations (leisure time activities), and police services (security of persons and property).

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Star Ohio is recorded at the share value reported by the mutual fund.

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:

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Department Fund - This fund accounts for the fire and emergency medical service operations. The primary source of revenue arises from contracts with other subdivisions for providing these services.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had one debt service fund in which special assessment revenue was collected to repay special assessment projects.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund:

Park Improvements for Youth Fund - This fund receives monies from various sources which are used for park improvements.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$ 507,962	\$ 479,190
Certificates of deposit	47,000	47,000
Savings Accounts	22,237	26,057
Petty cash	400	400
Total cash and deposits	577,599	552,647
STAR Ohio	28,563	31,250
Total cash, deposits and investments	\$606,162	\$583,897

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 462,155	\$ 430,113	\$ (32,042)
Special Revenue	303,325	265,996	(37,329)
Debt Service	15,839	17,735	1,896
Capital Projects	4,500	4,020	(480)
Enterprise	364,046	380,056	16,010
Fiduciary	1,000	1,050	50
Total	<u>\$ 1,150,865</u>	<u>\$ 1,098,970</u>	<u>\$ (51,895)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$635,859	\$388,996	\$246,863
Special Revenue	466,682	249,705	216,977
Debt Service	53,162	18,661	34,501
Capital Projects	6,241	3,379	2,862
Enterprise	509,493	415,971	93,522
Fiduciary	3,650	1,291	2,359
Total	<u>\$ 1,675,087</u>	<u>\$ 1,078,003</u>	<u>\$ 597,084</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 465,000	\$ 439,386	\$ (25,614)
Special Revenue	289,152	346,800	57,648
Debt Service	20,000	17,673	(2,327)
Capital Projects	15,501		(15,501)
Enterprise	362,999	374,286	11,287
Fiduciary	1,000	1,350	350
Total	<u>\$ 1,153,652</u>	<u>\$ 1,179,495</u>	<u>\$ 25,843</u>

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 658,263	\$ 495,632	\$ 162,631
Special Revenue	422,379	247,202	175,177
Debt Service	55,437	17,968	37,469
Capital Projects	17,239		17,239
Enterprise	521,683	388,068	133,615
Fiduciary	3,828	900	2,928
Total	\$ 1,678,829	\$ 1,149,770	\$ 529,059

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 152,723	7.36%
General Obligation Bonds	455,000	4.35%
General Obligation Notes	14,793	
Special Assessment Bond	52,000	7.75%
Total	\$ 674,516	

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA loan total was \$241,301. The loan will be repaid in semiannual installments of \$11,462, including interest, over twenty-five year period. The first semiannual installment was made January 1, 1989. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Special Assessment bonds relate to a water line extension project. The bonds were issued in 1988, in the amount of \$185,000, and will be repaid over a twenty-year period. They are being repaid from special assessments.

The general obligation bonds relate to a water line extension project. The bonds were issued in 1998, in the amount of \$525,000, and will be repaid over a twenty-year period.

General obligation note relates to the purchase of a dump truck. It consists of a \$44,378 note being paid in thirty-six monthly payments of \$1,233.

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

Year ending December 31:	OWDA Loan	General Obligation Bonds	General Obligation Notes	Special Assessment Bonds
2004	\$ 22,924	\$ 41,905	\$ 13,560	\$ 17,030
2005	22,924	41,035	1,233	16,023
2006	22,924	40,165	-	15,015
2007	22,924	39,195	-	14,008
2008	22,924	43,425	-	-
2009-2013	103,155	209,588	-	-
2014-2019	-	254,250	-	-
Total	\$ 217,775	\$ 669,563	\$ 14,793	\$ 62,076

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and certified firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	<u>(8,550,749)</u>	<u>(8,827,588)</u>
Retained Earnings	<u>\$ 11,624,228</u>	<u>\$ 10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	<u>(655,318)</u>	<u>(469,100)</u>
Retained Earnings	<u>\$ 1,910,090</u>	<u>\$ 1,421,223</u>

8. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. The former police chief filed a lawsuit concerning his discharge. The Common Pleas Court issued a decision that the chief was improperly discharged and is entitled to back pay and benefits. The Village is appealing the decision.

9. RELATED PARTY TRANSACTIONS

A Village council member is owner of a store from which the Village acquired various hardware supplies during the year. The Village paid \$388 in 2002 and \$1441 in 2003 for these items.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

10. SUBSEQUENT EVENTS

On March 19, 2004 the Village reached a settlement with the Kelley's Island Ferry Line who had challenged the Village passing a departure tax. In lieu of parking taxes, the Ferry line will pay for three hundred parking spots annually in their main lot. The spots are for the first 5 years at \$80.00 per spot. 2. If the former Neumann dock is leased or reopens the parking spots apply for that lot also. A joint application for a grant to extend the ferry dock will be applied by the Ferry Line and the Village. All cost for the grant and all construction will be paid by the Ferry Line. If Marblehead's water intake needs to be extended, the Ferry Line will pay all costs. Failure of the grant or refusal to go forward with the extension of the dock will result in an increase of parking fees to \$100 per spot. The Kelley's Ferry agrees to pay the Village of Marblehead \$20,000 per year for 20 years for the dock expansion. The ferry licenses will be \$250 per boat beginning January 1, 2005. Parties agree that an entry will be approved indicating that the ferry departure fee is a tax and unconstitutional as such. Court costs over and above the initial deposit shall be split by the parties.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Marblehead
Ottawa County
513 West Main Street, P.O. Box 306
Lakeside-Marblehead, Ohio 43440-0306

To the Village Council:

We have audited the accompanying financial statements of the Village of Marblehead, Ottawa County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 7, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 7, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 7, 2004.

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



Betty Montgomery
Auditor of State

May 7, 2004

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30162-001	ORC § 5705.41(D) fiscal officer's certificate	No	Partially corrected. Reported in the Management Letter.
2001-30162-002	OWDA Cooperative Agreement requires insurance coverage.	Yes	
2001-30162-003	Bank reconciliations were not made. Members of Council should monitor activity to ensure timely performance of duties.	Yes	

This Page is Intentionally Left Blank.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF MARBLEHEAD

OTTAWA 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
MAY 27, 2004**