



Dave Yost • Auditor of State

VILLAGE OF MARBLEHEAD
OTTAWA COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 10, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Marblehead, Ottawa County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with 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 audit 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 audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Marblehead, Ottawa County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2 to the financial statements, during 2011 the Village of Marblehead adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

January 10, 2013

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$392,783				\$392,783
Intergovernmental	231,084	\$72,408		\$281,320	584,812
Special Assessments			\$22,305		22,305
Charges for Services	1,525	227,500			229,025
Fines, Licenses and Permits	43,111	8,410			51,521
Earnings on Investments	2,833	36			2,869
Miscellaneous	65,395	2,089			67,484
<i>Total Cash Receipts</i>	<u>736,731</u>	<u>310,443</u>	<u>22,305</u>	<u>281,320</u>	<u>1,350,799</u>
Cash Disbursements					
Current:					
Security of Persons and Property	245,546	151,580			397,126
Public Health Services	17,842				17,842
Leisure Time Activities	23,477	13,239			36,716
Community Environment		17,073			17,073
Transportation	32,981	73,669			106,650
General Government	107,270		24		107,294
Capital Outlay		27,832		576,689	604,521
Debt Service:					
Principal Retirement			10,000		10,000
Interest and Fiscal Charges			11,631		11,631
<i>Total Cash Disbursements</i>	<u>427,116</u>	<u>283,393</u>	<u>21,655</u>	<u>576,689</u>	<u>1,308,853</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>309,615</u>	<u>27,050</u>	<u>650</u>	<u>(295,369)</u>	<u>41,946</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				83,352	83,352
Transfers In		36,620		211,117	247,737
Transfers Out	(42,137)				(42,137)
Advances In	3,000	13,480			16,480
Advances Out	(13,480)	(3,000)			(16,480)
Other Financing Sources	2,358				2,358
Other Financing Uses	(1,432)			(654)	(2,086)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,691)</u>	<u>47,100</u>		<u>293,815</u>	<u>289,224</u>
<i>Net Change in Fund Cash Balances</i>	257,924	74,150	650	(1,554)	331,170
<i>Fund Cash Balances, January 1</i>	<u>1,207,913</u>	<u>464,304</u>	<u>58,934</u>	<u>66,333</u>	<u>1,797,484</u>
Fund Cash Balances, December 31					
Restricted		538,454	59,584	53,675	651,713
Committed				11,104	11,104
Unassigned	1,465,837				1,465,837
<i>Fund Cash Balances, December 31</i>	<u>\$1,465,837</u>	<u>\$538,454</u>	<u>\$59,584</u>	<u>\$64,779</u>	<u>\$2,128,654</u>

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$566,828
Miscellaneous	16
	566,844
<i>Total Operating Cash Receipts</i>	<i>566,844</i>
Operating Cash Disbursements	
Personal Services	175,175
Employee Fringe Benefits	47,830
Contractual Services	60,686
Supplies and Materials	52,993
Other	1,255
	337,939
<i>Total Operating Cash Disbursements</i>	<i>337,939</i>
<i>Operating Income</i>	<i>228,905</i>
Non-Operating Receipts (Disbursements)	
Special Assessments	27,275
Capital Outlay	(14,500)
Principal Retirement	(98,635)
Interest and Other Fiscal Charges	(39,451)
	(125,311)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(125,311)</i>
<i>Income before Transfers</i>	<i>103,594</i>
Transfers In	62,942
Transfers Out	(268,542)
	(102,006)
<i>Net Change in Fund Cash Balances</i>	<i>(102,006)</i>
<i>Fund Cash Balances, January 1</i>	<i>458,168</i>
<i>Fund Cash Balances, December 31</i>	<i>\$356,162</i>

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Local Taxes	\$397,141				\$397,141
Intergovernmental	194,556	\$73,110		\$56,140	323,806
Special Assessments			\$22,761		22,761
Charges for Services	3,033	234,000			237,033
Fines, Licenses and Permits	41,693	19,641			61,334
Earnings on Investments	4,510	56			4,566
Miscellaneous	84,405	12,781		3,700	100,886
<i>Total Cash Receipts</i>	<u>725,338</u>	<u>339,588</u>	<u>22,761</u>	<u>59,840</u>	<u>1,147,527</u>
Cash Disbursements					
Current:					
Security of Persons and Property	201,987	164,943			366,930
Public Health Services	16,951				16,951
Leisure Time Activities	26,437				26,437
Community Environment		17,266			17,266
Transportation		100,697			100,697
General Government	115,179		47		115,226
Debt Service:					
Redemption of Principal		48,394	10,000	1,000,000	1,058,394
Interest and Fiscal Charges		2,569	12,059	29,917	44,545
Capital Outlay	30,754	120		262,850	293,724
<i>Total Cash Disbursements</i>	<u>391,308</u>	<u>333,989</u>	<u>22,106</u>	<u>1,292,767</u>	<u>2,040,170</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>334,030</u>	<u>5,599</u>	<u>655</u>	<u>(1,232,927)</u>	<u>(892,643)</u>
Other Financing Receipts / (Disbursements)					
Proceeds from Sale of Public Debt:					
Sale of Notes				1,033,589	1,033,589
Other Debt Proceeds				7,521	7,521
Transfers-In		40,000		151,548	191,548
Transfers-Out	(46,847)				(46,847)
Advances-In	10,000	10,000			20,000
Advances-Out	(10,000)	(10,000)			(20,000)
<i>Total Other Financing Receipts / (Disbursements)</i>	<u>(46,847)</u>	<u>40,000</u>		<u>1,192,658</u>	<u>1,185,811</u>
<i>Net Change in Fund Cash Balances</i>	287,183	45,599	655	(40,269)	293,168
<i>Fund Cash Balances, January 1</i>	<u>920,730</u>	<u>418,705</u>	<u>58,279</u>	<u>106,602</u>	<u>1,504,316</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,207,913</u>	<u>\$464,304</u>	<u>\$58,934</u>	<u>\$66,333</u>	<u>\$1,797,484</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$3,917</u>	<u>\$2,575</u>		<u>\$79,219</u>	<u>\$85,711</u>

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$567,922</u>
Operating Cash Disbursements	
Personal Services	170,736
Employee Fringe Benefits	58,263
Contractual Services	94,480
Supplies and Materials	48,836
Other	<u>730</u>
<i>Total Operating Cash Disbursements</i>	<u>373,045</u>
<i>Operating Income</i>	<u>194,877</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	27,325
Earnings on Investments	1
Capital Outlay	(789)
Redemption of Principal	(68,577)
Interest and Other Fiscal Charges	<u>(32,170)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(74,210)</u>
<i>Income Before Transfers</i>	120,667
Transfers-In	111,438
Transfers-Out	<u>(256,139)</u>
<i>Net Change in Fund Cash Balances</i>	(24,034)
<i>Fund Cash Balances, January 1</i>	<u>482,202</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$458,168</u></u>
<i>Reserve for Encumbrances, December 31</i>	<u><u>\$4,710</u></u>

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

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 Marblehead, Ottawa County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water utilities, cemetery operations (public health services), park options (leisure time activities), zoning operations (community environment), street and highway (transportation) services, and police, fire and emergency medical (security of persons and property) services. The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. PEP provides property and casualty coverage for its members. Note 8 to the financial statements provide 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from 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 services operations. The primary source of revenue arises from contracts with other subdivisions for providing these services.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Island View General Obligation Bond Fund - This fund receives proceeds of general obligation bonds. The proceeds are being used to pay off the bond anticipation notes from improvements to Harsh Road and installation of the waterline.

4. Capital Project Funds

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

SR 163 Phase II Fund – This fund receives proceeds of the Ohio Public Works Grant monies to improve a portion of the waterline along State Route 163

Water Treatment Plant (WTP) Improvement Fund – This fund receives proceeds of the Ohio Public Works Loan monies to make various improvements to the Village's Water Treatment Plant.

5. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

VILLAGE OF MARBLEHEAD
OTTAWA COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2011	2010
Demand deposits	\$2,030,636	\$2,051,599
Cash on Hand	400	400
Total deposits	<u>2,031,036</u>	<u>2,051,999</u>
STAR Ohio	453,780	203,653
Total deposits and investments	<u><u>\$2,484,816</u></u>	<u><u>\$2,255,652</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or 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.

4. BUDGETARY ACTIVITY

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$722,700	\$739,089	\$16,389
Special Revenue	371,400	347,063	(24,337)
Debt Service	22,000	22,305	305
Capital Projects	914,401	575,789	(338,612)
Enterprise	638,465	657,061	18,596
Total	<u><u>\$2,668,966</u></u>	<u><u>\$2,341,307</u></u>	<u><u>(\$327,659)</u></u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$894,552	\$470,685	\$423,867
Special Revenue	460,375	283,393	176,982
Debt Service	58,793	21,655	37,138
Capital Projects	979,386	577,343	402,043
Enterprise	1,076,133	759,067	317,066
Total	<u><u>\$3,469,239</u></u>	<u><u>\$2,112,143</u></u>	<u><u>\$1,357,096</u></u>

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

4. BUDGETARY ACTIVITY – (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$725,600	\$725,338	(\$262)
Special Revenue	382,533	379,588	(2,945)
Debt Service	23,000	22,761	(239)
Capital Projects	1,813,260	1,252,498	(560,762)
Enterprise	686,573	706,686	20,113
Total	\$3,630,966	\$3,086,871	(\$544,095)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$746,853	\$442,072	\$304,781
Special Revenue	661,420	336,564	324,856
Debt Service	58,793	22,106	36,687
Capital Projects	1,919,115	1,371,986	547,129
Enterprise	1,098,551	735,430	363,121
Total	\$4,484,732	\$2,908,158	\$1,576,574

5. 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.

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.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - 1998	\$275,000	4.35-5.00%
General Obligation Bonds - 2006	220,000	4.10-5.25%
Ohio Public Works Commission Loan - 2009	96,186	0%
Ohio Public Works Commission Loan - 2010	65,041	0%
Ohio Water Development Authority Loan - 1987	41,236	7.36%
Ohio Water Development Authority Loan - 2010	968,368	2%
Total	<u>\$1,665,831</u>	

The 1998 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 20 year period.

The 2006 General Obligation bonds relate to improving Harsh Road and installing a six inch waterline. The bonds were issued in 2006, in the amount of \$265,000, and will be repaid over a 20 year period.

The Village's taxing authority collateralized the General Obligation Bonds.

The Ohio Public Works Commission (OPWC) loan - 2009 relates to the water treatment plant improvement project. The OPWC loan was issued in the amount of \$98,652 and will be paid over 20 years.

The Ohio Public Works Commission (OPWC) loan - 2010 relates to the Phase I State Route 163 Waterline project. The OPWC loan was issued in the amount of \$65,041 and will be paid over 20 years.

The Ohio Water Development Authority (OWDA) Loan - 2010 relates to the new water treatment plant. The loan was for \$1,052,872 and will be paid over a 20 year period.

The Ohio Water Development Authority (OWDA) - 1987 loan relates to a water plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA loan total was \$241,301. The Village will repay the loans in semiannual installments of \$11,462, including interest, over 25 years. The first semiannual installment was made on January 1, 1989. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

6. DEBT – (Continued)

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Bonds
2012	\$8,185	\$94,375	\$64,948
2013	8,185	93,327	63,009
2014	8,184	69,356	61,061
2015	8,185	68,309	64,106
2016	8,184	67,263	61,894
2017-2021	40,923	320,606	238,500
2022-2026	40,922	294,437	110,488
2027-2031	38,459	190,533	
Total	\$161,227	\$1,198,206	\$664,006

7. RETIREMENT SYSTEMS

The Village’s certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages and 24% of full-time fire fighters’ wages, respectively. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

8. RISK MANAGEMENT – (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$24,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$25,833	\$32,910

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

8. RISK MANAGEMENT – (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. MISCELLANEOUS REVENUE

In 2010, General Fund Miscellaneous Revenues include a contribution of \$50,000 from First Energy for electric aggregation, and \$34,018 for the proceeds of a cell tower lease. In 2011, General Fund Miscellaneous Revenues include \$64,294 for the proceeds of a cell tower lease.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Marblehead, Ottawa County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated January 10, 2013, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and in 2011 the Village adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village processes its financial transactions with 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 audit 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 audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 10, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 10, 2013



Dave Yost • Auditor of State

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
JANUARY 29, 2013**