



Dave Yost • Auditor of State

VILLAGE OF MARBLEHEAD
OTTAWA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Marblehead, Ottawa County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Marblehead, Ottawa County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 9, 2014

**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, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$410,971				\$410,971
Intergovernmental	175,066	\$72,267			247,333
Special Assessments			\$22,697		22,697
Charges for Services	30,136				30,136
Fines, Licenses and Permits	15,526	11,868			27,394
Earnings on Investments	1,899	106			2,005
Miscellaneous	60,027	5,002			65,029
<i>Total Cash Receipts</i>	<u>693,625</u>	<u>89,243</u>	<u>22,697</u>		<u>805,565</u>
Cash Disbursements					
Current:					
Security of Persons and Property	338,249	104,333			442,582
Public Health Services	19,497				19,497
Leisure Time Activities	24,349				24,349
Community Environment	15,707	4,004			19,711
Transportation	120,456	61,360			181,816
General Government	128,685		34		128,719
Capital Outlay	5,611				5,611
Debt Service:					
Principal Retirement			10,000		10,000
Interest and Fiscal Charges			10,759		10,759
<i>Total Cash Disbursements</i>	<u>652,554</u>	<u>169,697</u>	<u>20,793</u>		<u>843,044</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>41,071</u>	<u>(80,454)</u>	<u>1,904</u>		<u>(37,479)</u>
Other Financing Disbursements					
Other Financing Uses	(2,861)				(2,861)
<i>Net Change in Fund Cash Balances</i>	38,210	(80,454)	1,904		(40,340)
<i>Fund Cash Balances, January 1</i>	<u>1,237,870</u>	<u>436,706</u>	<u>60,465</u>	<u>\$57,878</u>	<u>1,792,919</u>
Fund Cash Balances, December 31					
Restricted		356,252	62,369	46,774	465,395
Committed				11,104	11,104
Assigned	48,830				48,830
Unassigned	1,227,250				1,227,250
<i>Fund Cash Balances, December 31</i>	<u>\$1,276,080</u>	<u>\$356,252</u>	<u>\$62,369</u>	<u>\$57,878</u>	<u>\$1,752,579</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, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$620,565
Operating Cash Disbursements	
Personal Services	207,404
Employee Fringe Benefits	61,330
Contractual Services	52,121
Supplies and Materials	106,488
Other	1,000
<i>Total Operating Cash Disbursements</i>	428,343
<i>Operating Income</i>	192,222
Non-Operating Receipts (Disbursements)	
Special Assessments	28,092
Principal Retirement	(111,876)
Interest and Other Fiscal Charges	(31,810)
<i>Total Non-Operating Receipts (Disbursements)</i>	(115,594)
<i>Income before Transfers</i>	76,628
Transfers In	108,701
Transfers Out	(108,701)
<i>Net Change in Fund Cash Balances</i>	76,628
<i>Fund Cash Balances, January 1</i>	404,161
<i>Fund Cash Balances, December 31</i>	\$480,789

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, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$380,369				\$380,369
Intergovernmental	114,295	\$81,699		\$85,258	281,252
Special Assessments			\$22,103		22,103
Charges for Services	30,000	200,000			230,000
Fines, Licenses and Permits	14,761	8,521			23,282
Earnings on Investments	1,757	36			1,793
Miscellaneous	64,304	11,106			75,410
<i>Total Cash Receipts</i>	<u>605,486</u>	<u>301,362</u>	<u>22,103</u>	<u>85,258</u>	<u>1,014,209</u>
Cash Disbursements					
Current:					
Security of Persons and Property	333,106	166,066			499,172
Public Health Services	32,403				32,403
Leisure Time Activities	28,241	3,861			32,102
Community Environment	11,920	8,478			20,398
Transportation	190,787	37,362			228,149
General Government	134,590		24		134,614
Capital Outlay	109,356	176,863		92,159	378,378
Debt Service:					
Principal Retirement			10,000		10,000
Interest and Fiscal Charges			11,198		11,198
<i>Total Cash Disbursements</i>	<u>840,403</u>	<u>392,630</u>	<u>21,222</u>	<u>92,159</u>	<u>1,346,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(234,917)</u>	<u>(91,268)</u>	<u>881</u>	<u>(6,901)</u>	<u>(332,205)</u>
Other Financing Receipts (Disbursements)					
Advances In	10,480				10,480
Advances Out		(10,480)			(10,480)
Other Financing Sources	760				760
Other Financing Uses	(4,290)				(4,290)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>6,950</u>	<u>(10,480)</u>			<u>(3,530)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(227,967)</u>	<u>(101,748)</u>	<u>881</u>	<u>(6,901)</u>	<u>(335,735)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,465,837</u>	<u>538,454</u>	<u>59,584</u>	<u>64,779</u>	<u>2,128,654</u>
Fund Cash Balances, December 31					
Restricted		436,706	60,465	46,774	543,945
Committed				11,104	11,104
Assigned	2,245				2,245
Unassigned	1,235,625				1,235,625
<i>Fund Cash Balances, December 31</i>	<u>\$1,237,870</u>	<u>\$436,706</u>	<u>\$60,465</u>	<u>\$57,878</u>	<u>\$1,792,919</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, 2012**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$625,053
Miscellaneous	90
	<u>625,143</u>
<i>Total Operating Cash Receipts</i>	<u>625,143</u>
Operating Cash Disbursements	
Personal Services	190,798
Employee Fringe Benefits	49,662
Contractual Services	55,958
Supplies and Materials	107,196
Claims	
Other	1,525
	<u>405,139</u>
<i>Total Operating Cash Disbursements</i>	<u>405,139</u>
<i>Operating Income</i>	<u>220,004</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	25,880
Capital Outlay	(52,350)
Principal Retirement	(109,739)
Interest and Other Fiscal Charges	(35,796)
	<u>(172,005)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(172,005)</u>
<i>Income before Transfers</i>	47,999
Transfers In	156,724
Transfers Out	(156,724)
	<u>47,999</u>
<i>Net Change in Fund Cash Balances</i>	<u>47,999</u>
<i>Fund Cash Balances, January 1</i>	<u>356,162</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$404,161</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, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Marblehead, Ottawa County, (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 operations (leisure time activities), zoning operations (community environment), street and highway (transportation) services, and police, fire, and emergency medical 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 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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 Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Island View General Obligation Bond Fund – This fund receives special assessment receipts for payment of bonds issued for Harsh Road improvements and waterline installation.

4. Capital Project Funds

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

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.

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, 2013 AND 2012
(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 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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (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.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2013	2012
Demand deposits	\$1,743,269	\$1,742,554
Certificate of Deposits	35,396	
Cash on Hand	400	400
Total deposits	1,779,065	1,742,954
STAR Ohio	454,303	454,126
Total deposits and investments	\$2,233,368	\$2,197,080

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$628,361	\$693,625	\$65,264
Special Revenue	177,050	89,243	(87,807)
Debt Service	22,000	22,697	697
Capital Projects	10,266		(10,266)
Enterprise	711,699	757,358	45,659
Total	\$1,549,376	\$1,562,923	\$13,547

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,044,147	\$704,245	\$339,902
Special Revenue	613,757	171,387	442,370
Debt Service	82,465	20,793	61,672
Capital Projects	57,878		57,878
Enterprise	1,126,127	761,432	364,695
Total	\$2,924,374	\$1,657,857	\$1,266,517

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$565,671	\$606,246	\$40,575
Special Revenue	285,530	301,362	15,832
Debt Service	22,000	22,103	103
Capital Projects	85,336	85,258	(78)
Enterprise	732,300	807,747	75,447
Total	\$1,690,837	\$1,822,716	\$131,879

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,077,752	\$846,938	\$230,814
Special Revenue	593,560	404,743	188,817
Debt Service	59,584	21,222	38,362
Capital Projects	139,849	92,159	47,690
Enterprise	1,097,872	829,411	268,461
Total	\$2,968,617	\$2,194,473	\$774,144

4. PROPERTY TAX

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

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

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - 1998	\$215,000	4.35-5%
General Obligation Bonds - 2006	200,000	4.1-5.25%
Ohio Public Works Commission Loan - 2009	86,320	0%
Ohio Public Works Commission Loan - 2010	58,537	0%
Ohio Water Development Authority Loan - 2010	864,359	2%
Total	<u>\$1,424,216</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 a 20 year period.

The Ohio Public Works Commission loan – 2010 relates to the Phase I State Route 163 Waterline project. The OPWC loan was for \$65,041 and will be repaid over a 20 year period.

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

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

Year ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>General Obligation Bonds</u>
2014	\$8,184	\$69,356	\$61,061
2015	8,185	68,309	64,106
2016	8,184	67,262	61,894
2017	8,185	66,215	64,675
2018	8,184	65,169	67,138
2019-2023	40,925	310,140	150,875
2024-2028	40,925	283,968	66,300
2029-2033	22,085	80,086	
Total	<u>\$144,857</u>	<u>\$1,010,505</u>	<u>\$536,049</u>

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

6. RETIREMENT SYSTEMS

The Village's certified full-time 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 2013 and 2012, OP&F participants contributed 10% of their wages through June 30, 2013. On July 1, 2013, the rate increased to 10.75%. For 2013 and 2012, 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 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

7. 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 is a member of 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.

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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2012 and 2013:

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

7. RISK MANAGEMENT (Continued)

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the District's share of these unpaid claims collectible in future years is approximately \$28,000.

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>2012</u>	<u>2013</u>
\$39,441	\$40,149

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.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

9. INTERFUND TRANSACTIONS

During 2013 the following transfers were made:

Transfers To	Transfers From
	Water Fund
Waterline Extension - Barnhill	\$15,000
OWDA Debt Service - 1988	11,423
OWDA Debt Service - 2009	69,878
OPWC Debt Service - 2011	12,400
	<u>\$108,701</u>

During 2012 the following transfers were made.

Transfers To	Transfers From
	Water Fund
Waterline Extension - Barnhill	\$17,000
OWDA Debt Service - 1988	34,091
OWDA Debt Service - 2009	105,633
	<u>\$156,724</u>

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Marblehead, Ottawa County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 9, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

December 9, 2014

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

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

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

Material Weakness – Monitoring of Financial Statements

We identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2013:

- Fund balance for the Fire Fund in the amount of \$228,034 was reclassified from Assigned to Committed.
- Fund balance for the Zoning Fund in the amount of \$8,242 was reclassified from Restricted to Committed.
- Fund balance for the Park Improvements Fund in the amount of \$11,104 was reclassified from Restricted to Committed.

We identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2012:

- Fund balance for the Fire Fund in the amount of \$320,723 was reclassified from Restricted to Committed.
- Fund balance in the Zoning Fund in the amount of \$2,332 was reclassified from Restricted to Committed.
- Fund balance Park Improvements Fund in the amount of \$11,104 was reclassified from Restricted to Committed.

Additionally, immaterial errors not requiring adjustment to the financial statements or notes to the financial statements were noted in the classification of certain receipt transactions and classification of fund balances ranging from \$583 to \$2,762.

The accompanying financial statements have been adjusted to reflect the necessary changes. Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Village Council, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.

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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 06, 2015**