



**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF MARBLEHEAD
OTTAWA COUNTY

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Mary Taylor, CPA

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.

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Mary Taylor, CPA
Auditor of State

November 17, 2010

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Mary Taylor, CPA

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, (the Village) as of and for the years ended December 31, 2009 and 2008. 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(B) and 115.56 mandate 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, 2009 and 2008 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, 2009 and 2008, 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 and reserves for encumbrances of the Village of Marblehead, Ottawa County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, 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 audits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2010

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, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$366,979				\$366,979
Intergovernmental	133,635	\$69,296		\$149,981	352,912
Special Assessments			\$23,025		23,025
Charges for Services	32,850	229,000			261,850
Fines, Licenses and Permits	10,001	9,860			19,861
Earnings on Investments	6,391	123		4,407	10,921
Miscellaneous	132,315	10,168		50	142,533
Total Cash Receipts	<u>682,171</u>	<u>318,447</u>	<u>23,025</u>	<u>154,438</u>	<u>1,178,081</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	248,988	136,117			385,105
Public Health Services	17,070				17,070
Leisure Time Activities	23,090				23,090
Community Environment		14,699			14,699
Transportation		121,050			121,050
General Government	126,994		80		127,074
Debt Service:					
Redemption of Principal		48,409	10,000		58,409
Interest and Fiscal Charges		5,161	12,484		17,645
Capital Outlay	225,173	7,800		1,135,870	1,368,843
Total Cash Disbursements	<u>641,315</u>	<u>333,236</u>	<u>22,564</u>	<u>1,135,870</u>	<u>2,132,985</u>
Total Receipts Over/(Under) Disbursements	<u>40,856</u>	<u>(14,789)</u>	<u>461</u>	<u>(981,432)</u>	<u>(954,904)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds				1,000,000	1,000,000
Sale of Notes				70,422	70,422
Transfers-In		20,000		8,056	28,056
Transfers-Out	(28,056)				(28,056)
Other Financing Uses	(1)				(1)
Total Other Financing Receipts/(Disbursements)	<u>(28,057)</u>	<u>20,000</u>		<u>1,078,478</u>	<u>1,070,421</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>12,799</u>	<u>5,211</u>	<u>461</u>	<u>97,046</u>	<u>115,517</u>
Fund Cash Balances, January 1	907,931	413,494	57,818	9,556	1,388,799
Fund Cash Balances, December 31	<u>\$920,730</u>	<u>\$418,705</u>	<u>\$58,279</u>	<u>\$106,602</u>	<u>\$1,504,316</u>
Reserve for Encumbrances, December 31	<u>\$21,253</u>	<u>\$6,520</u>		<u>\$114,855</u>	<u>\$142,628</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$534,880
Miscellaneous	8,500
	543,380
Operating Cash Disbursements:	
Personal Services	173,212
Employee Fringe Benefits	50,742
Contractual Services	104,049
Supplies and Materials	73,189
Other	1,050
	402,242
Operating Income	141,138
Non-Operating Cash Receipts:	
Special Assessments	26,153
Earnings on Investments	3
	26,156
Non-Operating Cash Disbursements:	
Capital Outlay	31,699
Redemption of Principal	41,072
Interest and Other Fiscal Charges	23,854
	96,625
Excess of Receipts Over Disbursements Before Interfund Transfers	70,669
Transfers-In	39,297
Transfers-Out	(39,297)
Net Receipts Over Disbursements	70,669
Fund Cash Balances, January 1	411,533
Fund Cash Balances, December 31	\$482,202
Reserve for Encumbrances, December 31	\$56,279

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, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$379,648		\$35		\$379,683
Intergovernmental	159,556	\$73,546	1,638		234,740
Special Assessments			21,288		21,288
Charges for Services	30,000	210,500			240,500
Fines, Licenses and Permits	13,958	11,942			25,900
Earnings on Investments	13,107	148			13,255
Miscellaneous	50,290	21,312			71,602
Total Cash Receipts	646,559	317,448	22,961		986,968
Cash Disbursements:					
Current:					
Security of Persons and Property	274,495	143,851			418,346
Public Health Services	16,119				16,119
Leisure Time Activities	16,354				16,354
Community Environment		11,350			11,350
Transportation		88,886			88,886
General Government	144,052				144,052
Debt Service:					
Redemption of Principal		48,409	10,000		58,409
Interest and Fiscal Charges		7,738	12,904		20,642
Capital Outlay	1,140	4,120		\$2,000	7,260
Total Cash Disbursements	452,160	304,354	22,904	2,000	781,418
Total Receipts Over/(Under) Disbursements	194,399	13,094	57	(2,000)	205,550
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	200	2,000			2,200
Transfers-In		80,014	2,599	9,269	91,882
Transfers-Out	(90,391)			(2,613)	(93,004)
Other Financing Source	190				190
Total Other Financing Receipts/(Disbursements)	(90,001)	82,014	2,599	6,656	1,268
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	104,398	95,108	2,656	4,656	206,818
Fund Cash Balances, January 1	803,533	318,386	55,162	4,900	1,181,981
Fund Cash Balances, December 31	\$907,931	\$413,494	\$57,818	\$9,556	\$1,388,799
Reserve for Encumbrances, December 31	\$7,325	\$43,627			\$50,952

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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$530,667
Miscellaneous	10
	530,677
Operating Cash Disbursements:	
Personal Services	161,497
Employee Fringe Benefits	50,843
Contractual Services	85,945
Supplies and Materials	55,632
Other	1,520
	355,437
Operating Income	175,240
Non-Operating Cash Receipts:	
Special Assessments	26,725
Earnings on Investments	841
	27,566
Non-Operating Cash Disbursements:	
Capital Outlay	35,873
Redemption of Principal	39,970
Interest and Other Fiscal Charges	25,989
	101,832
Excess of Receipts Over Disbursements Before Interfund Transfers	100,974
Transfers-In	52,380
Transfers-Out	(51,258)
Net Receipts Over Disbursements	102,096
Fund Cash Balances, January 1	309,437
Fund Cash Balances, December 31	\$411,533
Reserve for Encumbrances, December 31	\$34,860

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, 2009 AND 2008**

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 (security of persons and property) services. 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.

The Investment in STAR Ohio is valued at amounts reported by the State Treasurer.

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, 2009 AND 2008
(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 and enterprise funds) 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 the 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 Fund:

Water Treatment Plant (WTP) Improvement Fund – This fund receives proceeds of notes and intergovernmental grants. The proceeds are being used to improve the 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, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or department 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 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS – (CONTINUED)

	2009	2008
Demand deposits	\$1,782,685	\$1,597,060
Cash on Hand	400	400
Total deposits	1,783,085	1,597,460
STAR Ohio	203,433	202,872
Total deposits and investments	\$1,986,518	\$1,800,332

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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$578,000	\$682,171	\$104,171
Special Revenue	373,250	338,447	(34,803)
Debt Service	23,025	23,025	
Capital Projects	1,275,649	1,232,916	(42,733)
Enterprise	578,450	608,833	30,383
Total	\$2,828,374	\$2,885,392	\$57,018

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,069,325	\$690,625	\$378,700
Special Revenue	533,779	339,756	194,023
Debt Service	58,893	22,564	36,329
Capital Projects	1,285,199	1,250,725	34,474
Enterprise	780,560	594,443	186,117
Total	\$3,727,756	\$2,898,113	\$829,643

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$634,590	\$646,949	\$12,359
Special Revenue	398,400	399,462	1,062
Debt Service	22,700	25,560	2,860
Capital Projects	260,368	9,269	(251,099)
Enterprise	586,026	610,623	24,597
Total	\$1,902,084	\$1,691,863	(\$210,221)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$997,615	\$549,876	\$447,739
Special Revenue	539,320	347,981	191,339
Debt Service	58,862	22,904	35,958
Capital Projects	13,813	4,613	9,200
Enterprise	703,115	543,387	159,728
Total	\$2,312,725	\$1,468,761	\$843,964

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.

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, 2009 AND 2008
(Continued)**

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$77,016	7.36%
General Obligation Bonds - 1998	325,000	4.35-5.00%
Fire Truck Loan	48,408	5.25%
General Obligation Bonds - 2006	240,000	4.10-5.25%
Bond Anticipation Notes - 2009	1,000,000	2.00%
OPWC Loan	70,422	0.00%
Total	<u>\$1,760,846</u>	

The Ohio Water Development Authority (OWDA) 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.

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 Fire Truck Loan relates to the purchase of a fire truck. The loan was dated November 30, 2005. It consists of a \$242,045 loan being paid over a five 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 2009 Bond Anticipation Notes relate to a water treatment system improvement project. The Note was for \$1,000,000. The Village has agreed to issue the Note in anticipation of the issuance of bonds. The Notes were dated February 17, 2009 and mature one year from the date of issuance. Prepayment of the Note can be made without penalty or premium at the option of the Village in the amount of the principal amount of the notes along with interest accrued on the date of the payment.

The Ohio Public Works Commission (OPWC) loan relates to the 2009 water treatment plant improvement project. The OPWC loan was approved in the amount of \$100,000. Total loan proceeds received as of December 31, 2009 was \$70,422. As of December 31, 2009, no amortization schedule has been issued by the OPWC.

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. DEBT – (CONTINUED)

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

Year ending December 31:	OWDA Loan	General Obligation Bonds - 1998	Fire Truck Loan	2006 General Obligation Bonds	2009 Bond Anticipation Note
2010	\$22,924	\$41,250	\$50,986	\$22,059	\$1,030,000
2011	22,924	40,000		21,631	
2012	22,924	43,750		21,198	
2013	22,924	42,250		20,759	
2014		40,750		20,311	
2015-2019		213,500		108,665	
2020-2024				109,675	
2025-2026				43,150	
Total	<u>\$91,696</u>	<u>\$421,500</u>	<u>\$50,986</u>	<u>\$367,448</u>	<u>\$1,030,000</u>

6. 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 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, 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 2009 and 2008, 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, 2009.

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.

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

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

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, 2009, 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, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village'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>2009</u>	<u>2008</u>
\$30,128	\$30,793

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. 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.

8. RELATED PARTY TRANSACTIONS

A Village Council member is owner of a store from which the Village acquired various hardware supplies during the audit period. The Village paid \$3,468 during 2009 and \$5,275 during 2008 for these items.

9. SUBSEQUENT EVENTS

On December 10, 2009 the Village approved the refinancing of \$1,000,000 of bond anticipation notes with a 2% loan from Ohio Water Development Authority. The refinancing was not finalized until January 27, 2010.

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Mary Taylor, CPA

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 (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 17, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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*.

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 intend this report solely for the information and use of management, the audit committee, the 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 17, 2010

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Rev. Code Sections 5705.38, 40, and 42 - improper accounting for on behalf-of grants.	Yes	
2007-002	Ohio Rev. Code Section 5705.41(D) – proper certification.	Yes	
2007-003	Ohio Rev. Code Section 5705.41(B) –expenditures exceeded appropriations in several funds.	Yes	
2007-004	Ohio Rev. Code Section 5705.36(A)(1) – certification of fund balances and encumbrances to county auditor.	Yes	
2007-005	Ohio Rev. Code Section 5705.39 – appropriations greater than estimated resources.	Yes	
2007-006	Loan payments not made in accordance with debt agreement.	Yes	
2007-007	Savings account balance did not match what was on accounting system.	Yes	
2007-008	Several adjustments and reclassifications to financial statements.	Yes	

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Mary Taylor, CPA
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
DECEMBER 7, 2010**