



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Marblehead, Ottawa County, Ohio, (the Village) as of and for the year ended December 31, 2016.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016, or changes in financial position or cash flows thereof for the year 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, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Matters***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2017, 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.

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

August 17, 2017

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

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$503,477				\$503,477
Intergovernmental	145,304	\$81,058		\$1,438,944	1,665,306
Special Assessments			\$21,203		21,203
Charges for Services	30,525				30,525
Fines, Licenses and Permits	17,401	8,643			26,044
Earnings on Investments	3,622	313			3,935
Miscellaneous	37,659	50			37,709
<i>Total Cash Receipts</i>	<u>737,988</u>	<u>90,064</u>	<u>21,203</u>	<u>1,438,944</u>	<u>2,288,199</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	339,105	12,834			351,939
Public Health Services	20,781				20,781
Leisure Time Activities	41,020				41,020
Community Environment	15,695	3,646			19,341
Transportation	114,621	25,124			139,745
General Government	126,353				126,353
Capital Outlay	189,832			1,458,195	1,648,027
Debt Service:					
Principal Retirement			10,000		10,000
Interest and Fiscal Charges			9,394		9,394
<i>Total Cash Disbursements</i>	<u>847,407</u>	<u>41,604</u>	<u>19,394</u>	<u>1,458,195</u>	<u>2,366,600</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(109,419)</u>	<u>48,460</u>	<u>1,809</u>	<u>(19,251)</u>	<u>(78,401)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In				30,000	30,000
Transfers Out	(30,000)				(30,000)
Advances In				24,894	24,894
Advances Out	(24,894)				(24,894)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(54,894)</u>			<u>54,894</u>	
<i>Net Changes in Fund Cash Balances</i>	<u>(164,313)</u>	<u>48,460</u>	<u>1,809</u>	<u>35,643</u>	<u>(78,401)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,072,340</u>	<u>161,695</u>	<u>66,246</u>	<u>57,878</u>	<u>1,358,159</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		172,061	68,055	93,521	333,637
Committed		38,094			38,094
Assigned	453,386				453,386
Unassigned	454,641				454,641
<i>Fund Cash Balances, December 31</i>	<u>\$908,027</u>	<u>\$210,155</u>	<u>\$68,055</u>	<u>\$93,521</u>	<u>\$1,279,758</u>

See accompanying notes to the financial statements

**Village of Marblehead**  
Ottawa County, Ohio  
Combined Statement of Receipts, Disbursements,  
and Changes in Fund Balances (Regulatory Cash Basis)  
Proprietary Fund Type  
For the Year Ended December 31, 2016

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$628,375
<b>Operating Cash Disbursements</b>	
Personal Services	243,839
Fringe Benefits	65,718
Contractual Services	66,673
Supplies and Materials	85,638
Other	2,350
<i>Total Operating Cash Disbursements</i>	464,218
<i>Operating Income</i>	164,157
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	26,409
Miscellaneous Receipts	4,254
Principal Retirement	(95,530)
Interest and Other Fiscal Charges	(22,418)
<i>Total Non-Operating Receipts (Disbursements)</i>	(87,285)
<i>Income before Transfers</i>	76,872
Transfers In	88,672
Transfers Out	(88,672)
<i>Net Changes in Fund Cash Balances</i>	76,872
<i>Fund Cash Balances, January 1</i>	470,689
<i>Fund Cash Balances, December 31</i>	\$547,561

*See accompanying notes to the financial statements*

**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Marblehead (the Village), Ottawa County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water utilities, cemetery operations (public health services), park operations (leisure time activities), zoning operations (community environment), street and highway services, and police services. The Village contracts with Danbury Township to receive fire protection and emergency medical services.

***Public Entity Risk Pool***

The Village participates in Ohio Plan Risk Management, Inc., which is a public entity risk pool that provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other 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.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted 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*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Fire Department Fund*** The fire department fund previously received fire protection contracts and currently receives donations to be used for fire and emergency medical services purposes.

**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

**Special Assessment – Island View 2016 Fund** The special assessment – island view 2016 fund receives special assessments for the payment of bonds issued for Harsh Road Improvements and waterline installation.

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

**Clean Ohio – 2015 – CEIAE Fund** The Clean Ohio – 2015 – CEIAE fund accounts for and reports proceeds of a Clean Ohio grant for acquisition of park property. Clean Ohio is administered by the Ohio Public Works Commission.

**CELCP – 2015 Fund** The CELCP -2015 fund accounts for and reports proceeds of a CELCP grant for acquisition of park property. CELCP is the federal Coastal and Estuarine Land Conservation Program administered in Ohio by the Ohio Department of Natural Resources.

**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 Revenue Plant Operating – BPA Fund** The water revenue plant operating - BPA fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Rev. Code requires each fund be budgeted annually.

**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. Unencumbered appropriations lapse at year end.

**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

A summary of 2016 budgetary activity appears in Note 3.

**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 Village's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**Capital Assets**

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

**Accumulated Leave**

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

**Fund Balance**

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

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

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

**Committed** Council can *commit* amounts via formal action (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.

**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**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.

**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.

**Note 3 - Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$656,103	\$737,988	\$81,885
Special Revenue	74,150	90,064	15,914
Debt Service	22,000	21,203	(797)
Capital Projects	1,482,376	1,468,944	(13,432)
Enterprise	657,172	747,710	90,538
Total	\$2,891,801	\$3,065,909	\$174,108

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,557,753	\$889,490	\$668,263
Special Revenue	235,846	46,690	189,156
Debt Service	53,987	19,394	34,593
Capital Projects	1,540,253	1,458,195	82,058
Enterprise	1,127,598	710,858	416,740
Total	\$4,515,437	\$3,124,627	\$1,390,810

**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 4 – Deposits and Investments**

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

	<u>2016</u>
Demand deposits	\$539,021
Certificate of deposit	36,785
Other time deposits (savings accounts)	794,142
Total deposits	<u>1,369,948</u>
STAR Ohio	<u>457,371</u>
Total deposits and investments	<u><u>\$1,827,319</u></u>

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation 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.

**Note 5 – Taxes**

***Property Taxes***

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

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

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

**Note 6 – Interfund Balances**

***Advances***

Outstanding advances at December 31, 2016 consist of a \$24,894 advance from the general fund to the natureworks – 2015 – OTTA029 fund to provide working capital for the grant project.

**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management**

***Risk Pool Membership***

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Rev. Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 members as of December 31, 2015.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 (the latest information available).

	<u><b>2015</b></u>
Assets	\$14,643,667
Liabilities	(9,112,030)
Members' Equity	<u>\$5,531,637</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Rev. Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

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

The Ohio Rev. Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Several of the Village's employees and officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

**Village of Marblehead, Ohio**  
*Ottawa County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

	Principal	Interest Rate
General Obligation Bonds - 1998	\$115,000	4.35-5.00%
General Obligation Bonds - 2006	170,000	4.10-5.25%
Ohio Public Works Commission Loan - 2009	71,522	0%
Ohio Public Works Commission Loan - 2010	48,781	0%
Ohio Water Development Authority Loan - 2010	707,326	2%
Total	\$1,112,629	

The 1998 General Obligation (G.O.) 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 G.O. 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 G.O. Bonds.

The Ohio Public Works Commission (OPWC) Loan – 2009 relates to a 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 OPWC 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 (OWDA) Loan – 2010 relates to a new water treatment plant. The OWDA loan was for \$1,052,872 and will be paid over a 20 year period.

***Amortization***

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

Year ending December 31:	OPWC Loans	OWDA Loans	G.O. Bonds
2017	\$8,185	\$66,215	\$64,675
2018	8,184	65,169	67,138
2019	8,185	64,122	64,350
2020	8,184	63,075	21,563
2021	8,185	62,028	20,775
2022-2026	40,923	294,436	110,488
2027-2031	38,457	190,532	
Total	\$120,303	\$805,577	\$348,989

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
<i>Passed Through Ohio Department of Natural Resources Office of Coastal Management</i>			
Coastal Zone Management Administration Awards	11.419	NA15NOS4190222	<u>\$ 820,000</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$ 820,000</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**VILLAGE OF MARBLEHEAD  
OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Marblehead (the Village) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require the Village to contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has not met its matching requirements. The matching non-compliance related to matching requirements is summarized in the Village's management letter. The Schedule does not include the expenditure of non-federal matching funds.



# 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 cash balances, receipts, and disbursements by fund type of the Village of Marblehead, Ottawa County, Ohio (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated August 17, 2017 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 opinions 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.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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

August 17, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Village Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the Village of Marblehead, Ottawa County, Ohio's (the Village's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

### ***Management's Responsibility***

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Village of Marblehead complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

**Report on Internal Control Over Compliance**

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect its major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 17, 2017



**VILLAGE OF MARBLEHEAD  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse under GAAP, unmodified under the regulatory basis
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Program's Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Program (list):</b>	Coastal Zone Management Administration Awards - CFDA # 11.419
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# 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  
SEPTEMBER 5, 2017