

***VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO***

AUDIT REPORT

For the Years Ended December 31, 2004 and 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of Oak Harbor
P.O. Box 232
Oak Harbor, OH 43449

We have reviewed the *Report of Independent Accountants* of the Village of Oak Harbor, Ottawa County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Oak Harbor is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 11, 2006

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VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Audit Report
For the years ended December 31, 2004 and 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members
of Village Council
Village of Oak Harbor
Oak Harbor, Ohio

We have audited the accompanying financial statements of the Village of Oak Harbor, Ottawa County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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. We believe that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position 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 Oak Harbor, Ottawa, County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 July 14, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
July 14, 2006

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Receipts:						
Property Taxes and Other Local Taxes	\$ 664,235	\$ 105,721	-	-	-	\$ 769,956
Intergovernmental Receipts	170,974	250,133	-	-	-	421,107
Special Assessments	2,702	4,907	-	-	-	7,609
Kilowatt Hour Tax	103,818	-	-	-	-	103,818
Charges for Services	83,122	-	-	-	\$ 194	83,316
Fines, Licenses, and Permits	6,913	1,339	-	-	-	8,252
Earnings on Investments	102,301	1,356	-	-	-	103,657
Miscellaneous	3,802	438	-	-	-	4,240
Total Receipts	1,137,867	363,894	-	-	194	1,501,955
Disbursements:						
Current:						
Security of Persons & Property	580,817	816	-	-	-	581,633
Public Health Services	7,932	-	-	-	-	7,932
Leisure Time Activities	35,475	-	-	-	-	35,475
Community Environment	1,301	-	-	-	-	1,301
Transportation	192,243	135,138	-	-	-	327,381
General Government	203,762	637	-	-	-	204,399
Capital Outlay	14,338	170,143	-	\$ 38,346	-	222,827
Total Cash Disbursements	1,035,868	306,734	-	38,346	-	1,380,948
Excess of Receipts Over/(Under)						
Disbursements	101,999	57,160	-	(38,346)	194	121,007
Other Financing Sources/(Uses):						
Transfers-In	2,580	-	-	60,000	-	62,580
Transfers-Out	(60,000)	-	\$ (2,504)	-	(76)	(62,580)
Other Financing Uses	(11,139)	-	-	-	(31)	(11,170)
Total Other Financing Sources/(Uses)	(68,559)	-	(2,504)	60,000	(107)	(11,170)
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	33,440	57,160	(2,504)	21,654	87	109,837
Fund Balance January 1, 2005	543,010	232,566	2,504	89,344	1,090	868,514
Fund Balance December 31, 2005	\$ 576,450	\$ 289,726	-	\$ 110,998	\$ 1,177	\$ 978,351
Reserve for Encumbrances, December 31, 2005	\$ 84,507	\$ 14,843	-	\$ 11,329	-	\$ 110,679

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2005

	Proprietary Fund Type
	Enterprise
Operating Receipts:	
Charges for Services	\$ 3,794,601
Miscellaneous	23,559
Total Operating Receipts	3,818,160
Operating Disbursements:	
Personal Services	826,817
Travel	795
Contractual Services	2,253,937
Supplies and Materials	86,397
Capital Outlay	179,054
Total Operating Disbursements	3,347,000
Excess Operating Receipts Over/(Under) Operating Disbursements	471,160
Non-Operating Disbursements	
Debt Service:	
Principal	(369,791)
Interest	(110,427)
Other Uses	(6,920)
Total Non-Operating Disbursements	(487,138)
Excess of Receipts Over/(Under) Disbursements	(15,978)
Fund Balance January 1, 2005	2,965,941
Fund Balance December 31, 2005	\$ 2,949,963
Reserve for Encumbrances, December 31, 2005	\$ 371,020

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2004

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Receipts:						
Property Taxes and Other Local Taxes	\$ 654,983	\$ 103,186	-	-	-	\$ 758,169
Intergovernmental Receipts	134,920	155,259	-	\$ 47,299	-	337,478
Special Assessments	389	4,069	-	-	-	4,458
Kilowatt Hour Tax	106,526	-	-	-	-	106,526
Charges for Services	79,613	-	-	-	\$ 1,124	80,737
Fines, Licenses, and Permits	4,775	2,032	-	-	-	6,807
Earnings on Investments	48,844	447	-	-	-	49,291
Miscellaneous	241	2,097	-	74,305	-	76,643
Total Receipts	1,030,291	267,090	-	121,604	1,124	1,420,109
Disbursements:						
Current:						
Security of Persons & Property	598,194	880	-	-	-	599,074
Public Health Services	6,599	-	-	-	-	6,599
Leisure Time Activities	31,659	-	-	-	-	31,659
Community Environment	747	-	-	-	92	839
Transportation	218,408	175,986	-	-	-	394,394
General Government	199,045	1,221	-	-	-	200,266
Capital Outlay	94,500	210,614	-	202,433	-	507,547
Total Cash Disbursements	1,149,152	388,701	-	202,433	92	1,740,378
Excess of Receipts Over/(Under) Disbursements	(118,861)	(121,611)	-	(80,829)	1,032	(320,269)
Other Financing Sources/(Uses):						
Transfers-In	433	3,000	-	60,000	-	63,433
Transfers-Out	(63,000)	-	-	-	(433)	(63,433)
Proceeds of O.P.W.C. Loan	-	-	-	29,999	-	29,999
Other Financing Uses	(23,822)	-	-	(18,976)	(599)	(43,397)
Total Other Financing Sources/(Uses)	(86,389)	3,000	-	71,023	(1,032)	(13,398)
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(205,250)	(118,611)	-	(9,806)	-	(333,667)
Fund Balance January 1, 2004	748,260	351,177	\$ 2,504	99,150	1,090	\$ 1,202,181
Fund Balance December 31, 2004	\$ 543,010	\$ 232,566	\$ 2,504	\$ 89,344	\$ 1,090	\$ 868,514
Reserve for Encumbrances, December 31, 2004	\$ 96,045	\$ 47,183	-	\$ 940	-	\$ 144,168

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2004

	Proprietary Fund Type
	Enterprise
Operating Receipts:	
Charges for Services	\$ 3,459,845
Miscellaneous	33,992
	3,493,837
Total Operating Receipts	3,493,837
Operating Disbursements:	
Personal Services	832,843
Travel	1,038
Contractual Services	1,888,220
Supplies and Materials	70,661
Capital Outlay	513,207
	3,305,969
Total Operating Disbursements	3,305,969
Excess Operating Receipts Over/(Under) Operating Disbursements	187,868
Non-Operating Receipts (Disbursements)	
Sale of Notes	250,000
Debt Service:	
Principal	(98,859)
Interest	(112,370)
Other Uses	(4,330)
	34,441
Total Non-Operating Disbursements	34,441
Excess of Receipts Over/(Under) Disbursements	222,309
Fund Balance January 1, 2004	2,743,632
Fund Balance December 31, 2004	\$ 2,965,941
Reserve for Encumbrances, December 31, 2004	\$ 241,137

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Oak Harbor is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members and a mayor. The Village provides general government services, including maintenance of Village streets, police, sewer, water, utilities, and park operations.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

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

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

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant special revenue funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Village streets.

State Highway Improvement Fund – This fund receives gasoline tax monies from the State of Ohio for maintenance and repair of state highways in the Village.

Street Levy Fund – This fund is used to record the collection of property tax levies designated for construction and repair of Village streets.

3. **Debt Service Fund**

This fund is used to accumulate resources for the payment of bond and note debt. There is only one debt service fund.

4. **Capital Projects Funds**

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

Capital Improvement Fund - This fund received proceeds of grants and other funds to be used for capital improvements for the Village.

5. **Enterprise Funds**

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

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

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

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

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

6. **Fiduciary Funds**

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

Unclaimed Warrant Fund- This Expendable Trust fund accounts for unclaimed deposits and other funds held by Village. After five years, these funds are transferred to the General Fund in accordance with Ohio Revised Code requirements.

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. **Appropriations**

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

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2004 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	2004	2005
Demand Deposits	(\$84,475)	\$82,238
Repurchase Agreements	327,930	555,076
Certificates of Deposit	3,591,000	3,291,000
Total Deposits and Investments	\$3,834,455	\$3,928,314

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

The negative carrying amount in the 2004 Demand Deposits is due to the Village investing in overnight repurchase agreements.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2005 is as follows:

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$1,127,081	\$1,030,724	\$(96,357)
Special Revenue	365,336	270,090	(95,246)
Debt Service	-	-	-
Capital Projects	1,248,793	211,603	(1,037,190)
Enterprise	3,660,853	3,743,837	82,984
Expendable Trust	3,750	1,124	(2,626)
Total	\$6,405,813	\$5,254,378	\$(1,148,435)

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

3. BUDGETARY ACTIVITY - (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,875,341	\$1,332,019	\$543,322
Special Revenue	716,513	435,884	280,629
Debt Service	2,504	-	2,504
Capital Projects	1,347,943	222,349	1,125,594
Enterprise	6,404,485	3,762,665	2,641,820
Expendable Trust	4,840	1,124	3,716
Total	\$10,351,626	\$5,754,041	\$4,597,585

2005 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,061,435	\$1,140,447	\$79,012
Special Revenue	357,325	363,894	6,569
Debt Service	-	-	-
Capital Projects	158,695	60,000	(98,695)
Enterprise	3,663,083	3,818,160	155,077
Expendable Trust	-	194	194
Total	\$5,240,538	\$5,382,695	\$142,157

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,604,445	\$1,191,514	\$412,931
Special Revenue	589,891	321,577	268,314
Debt Service	2,504	2,504	-
Capital Projects	248,040	49,675	198,365
Enterprise	6,629,025	4,205,158	2,423,867
Expendable Trust	1,089	107	982
Total	\$9,074,994	\$5,770,535	\$3,304,459

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. PROPERTY TAXES

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2004 is as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Balance 12/31/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2004</u>
<u>O.P.W.C.</u>					
Brooklyn & Portage St. Water Ext.	0%	-	\$29,999	-	\$29,999
<u>O.W.D.A.</u>					
Storm Drainage	6.50%	\$14,758	-	(\$14,758)	-
WWTP Improvement	7.51%	875,833	-	(50,666)	\$825,167
Sludge Handling Improvement	5.56%	913,587	-	(33,435)	880,152
Total O.W.D.A		1,804,178	-	(98,859)	1,705,319
Water System Improvement Note	1.69%	-	250,000	-	250,000
Total Debt		\$1,804,178	\$279,999	(\$98,859)	\$1,985,318

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO**
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

5. **DEBT** – (continued)

Debt outstanding at December 31, 2005 is as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Balance 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2005</u>
<u>O.P.W.C.</u>					
Brooklyn & Portage St. Ext.	0%	\$29,999	-	(\$29,999)	-
<u>O.W.D.A.</u>					
WWTP Improvement	7.51%	825,167	-	(54,472)	\$770,695
Sludge Handling Improvement	5.56%	880,152	-	(35,320)	844,832
Total O.W.D.A		1,705,319	-	(89,792)	1,615,527
Water System Improvement Note	1.69%	250,000	-	(250,000)	-
Total Debt		<u>\$1,985,318</u>	<u>-</u>	<u>(\$369,791)</u>	<u>\$1,615,527</u>

The Ohio Water Development Authority Loans were used for water and sewer system improvements. The Public Works Commission loans were for water and sewer projects. The Water System Improvement Note was for improvements to the water system. All of these issues will be retired by water and sewer revenues. The Village has agreed to set utility rates at amounts sufficient to cover debt requirements.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

Year Ending Dec. 31:	<u>O.W.D.A. Loans</u>
2006	\$196,283
2007	196,582
2008	196,903
2009	197,248
2010	197,619
2011 – 2015	936,496
2016 – 2020	418,861
Total	<u>\$2,339,992</u>

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

6. RETIREMENT SYSTEMS

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contributions rates are prescribed by the Ohio Revised Code. The Village's OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% for 2004 and 2005 of participant's gross salaries. The Village has paid all contributions required through December 31, 2005.

Police officers of the Village are members of the Ohio Police and Fire Pension Fund (OP&F), a state operated, cost sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits to plan members and beneficiaries.

The Ohio Revised Code prescribes contributions. The Village's OP&F members contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of the participant's gross salaries through December 31, 2004 and 2005 for police officers. The Village has paid all contributions required through December 31, 2005.

The Village does not have a fire department.

7. FUND TRANSFERS

The transfers out of \$433 in 2004 and \$76 in the Expendable Trust Fund are comprised of unclaimed funds held by the Village in excess of five years. The transfers out of General Fund in 2004 and 2005 to the Capital Improvement Fund were to accumulate funds for the purchase of police cars and computer equipment. Money was also transferred from the General Fund in 2004 to the Tree Fund for purchase of trees to be planted in the Village. The transfer out of the Debt Service Fund in 2005 in the amount of \$2,504 was to close out the fund after all debt had been paid. All transfers were made in accordance with Ohio Revised Code requirements and the Village has received all required approvals.

8. JOINT VENTURES

Ohio Municipal Electric Generation Agency Joint Venture 2

The Village is a participant with thirteen subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) was created for that purpose. On dissolution of the joint venture, the net assets of JV2 will be shared by the participants on a percentage basis. The JV2 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. In accordance with the joint venture agreement, the Village remitted \$10,748 for the year 2004 and \$10,896 for the year 2005 to the joint venture.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

8. JOINT VENTURES – (continued)

The Village of Oak Harbor's net investment and its share of the operating results of JV2 ownership share of the project is .55 percent. Complete financial statements for JV2 can be obtained from AMP-Ohio at 602 Dempsey Road, Westerville, Ohio 43081, or from the Village's Administrator.

Ohio Municipal Electric Generation Agency Joint Venture 5

The Village is a participant with forty-two other municipalities within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On the dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$153,415,000 certificates of beneficial interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the Village remitted \$178,882 and \$222,160, for the years 2004 and 2005 respectively, to the joint venture. The Village of Oak Harbor's net investment and its share of the operating results of JV5 ownership share of the projects is .94 percent. Complete financial statements for JV5 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081 or from the Village Administrator. Each member is required to make debt service payments for the project based on their percentage of ownership. Payments began in 1994. The Village of Oak Harbor's share of this debt service is as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2006	\$ 86,457
2007	86,410
2008	86,450
2009	86,465
2010	86,306
Subsequent	<u>1,296,099</u>
Total	<u><u>\$ 1,728,187</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members
of Village Council
Village of Oak Harbor
Oak Harbor, Ohio

We have audited the financial statements of the Village of Oak Harbor, Ottawa County, as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 14, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated July 14, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 14, 2006.

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

Charles E. Harris & Associates, Inc.

July 14, 2006

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the two years ending December 31, 2003, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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VILLAGE OF OAK HARBOR

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 21, 2006**