

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2000 & 2001

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and Members of Council
Village of Oak Harbor

We have reviewed the Independent Auditor's Report of the Village of Oak Harbor, Ottawa County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2000 through December 31, 2001. 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.

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 black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

May 31, 2002

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VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2000 & 2001

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VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2000 & 2001

ELECTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>SURETY PERIOD</u>
Thomas C. Leaser	Mayor	1/1/00 to 12/31/03	(A)	1/5/00 to 12/31/04
Marsha Finke	Council	1/1/00 to 12/31/03		
Angela Petersen	Council	3/19/01to 12/31/03		
Fred Conley	Council	1/1/98 to 12/31/01		
Donna Wendt	Council	1/1/98 to 12/31/01		
Tracey St. Clair – (C)	Council	1/18/00 to 12/31/01		
William Edge	Council	1/1/98 to 12/31/01		
Sandra Baumgartner	Clerk/ Treasurer	4/1/00 to 3/31/04	(B)	3/31/00 to 3/31/04

Statutory Legal Council

Vicki B. Ruffing
Village Solicitor
16 W. Church Street
Milan, Ohio 44846

- (A) **\$1,000, The Cincinnati Insurance Company**
- (B) **\$15,000, The Cincinnati Insurance Company**
- (C) **Appointed to fill unexpired term**

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Audit report
For Years Ended December 31, 2000 & 2001**

APPOINTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Timothy Wilkins	Village Administrator	Continuous
Larry St. Clair	Police Chief	Continuous

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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 (the Village), as of and for the years ended December 31, 2000 and 2001, as listed in the table of contents. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash, investments and fund cash balances of the Village, as of December 31, 2000 and 2001, and the receipts, disbursements, and changes in fund cash balances, its combined statements of receipts-budget and actual and combined statements of disbursements and encumbrances compared with expenditure authority for the years then ended in conformity with the basis of accounting referred to above.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 28, 2002

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
As of December 31, 2000 and 2001

	<u>2000</u> <u>Balances</u>	<u>2001</u> <u>Balances</u>
Cash and Cash Equivalents	\$ 682,752	\$ 641,191
Investments	<u>2,711,000</u>	<u>2,711,000</u>
	<u>\$ 3,393,752</u>	<u>\$ 3,352,191</u>

Cash Balances By Fund Class

Governmental Fund Types:

General Fund	\$ 624,557	\$ 966,867
Special Revenue Funds	350,389	338,564
Debt Service Funds	2,504	2,504
Capital Projects Funds	67,300	43,807

Proprietary Fund Type:

Enterprise Funds	2,348,292	1,999,642
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Fiduciary Fund Type:

Expendable Trust	<u>710</u>	<u>807</u>
Total	\$ <u>3,393,752</u>	\$ <u>3,352,191</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNI
For the Year Ended December 31, 2000

	Governmental Fund Types				Fiduciary	(Memorandum
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	Only) Total
Receipts:						
Taxes	\$ 631,452	\$ 102,288	-	-	-	\$ 733,740
Intergovernmental	182,978	127,331	-	\$ 54,275	-	364,584
Charges for Services	60,313	2,521	-	-	\$ 1,895	64,729
Fines, Licenses, and Permits	7,051	1,466	-	-	-	8,517
Interest	185,539	-	-	-	-	185,539
Miscellaneous	1,741	4,659	-	-	76	6,476
Total Receipts	1,069,074	238,265	-	54,275	1,971	1,363,585
Disbursements:						
Security of Persons & Property	477,701	711	-	-	-	478,412
Public Health Services	6,570	-	-	-	-	6,570
Leisure Time Activities	39,867	-	-	-	-	39,867
Community Environment	1,505	-	-	-	461	1,966
Basic Utility Services	-	-	-	7,900	-	7,900
Transportation	129,172	147,328	-	-	-	276,500
General Government	193,876	1,280	-	-	-	195,156
Capital Outlay	44,621	8,932	-	89,702	-	143,255
Total Disbursements	893,312	158,251	-	97,602	461	1,149,626
Excess of Receipts Over/(Under) Disbursements	175,762	80,014	-	(43,327)	1,510	213,959
Other Financing Sources/(Uses):						
Transfers-In	250	2,000	-	60,000	-	62,250
Transfers-Out	(62,000)	-	-	-	(250)	(62,250)
Sale of Fixed Assets	1,605	-	-	11,640	-	13,245
Other Uses	(10,751)	-	-	-	(2,506)	(13,257)
Total Other Financing Sources/(Uses)	(70,896)	2,000	-	71,640	(2,756)	(12)
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	104,866	82,014	-	28,313	(1,246)	213,947
Fund Balance January 1, 2000	519,691	268,375	\$ 2,504	38,987	1,956	831,513
Fund Balance December 31, 2000	\$ 624,557	\$ 350,389	\$ 2,504	\$ 67,300	\$ 710	\$ 1,045,460

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNI
For the Year Ended December 31, 2001

	Governmental Fund Types				Fiduciary	(Memorandum
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	Only) Total
Receipts:						
Taxes	\$ 703,836	\$ 108,085	-	-	-	\$ 811,921
Intergovernmental	159,741	124,755	-	-	-	284,496
Special Assessments	150	18,581	-	-	-	18,731
Charges for Services	333,285	-	-	-	\$ 1,000	334,285
Fines, Licenses, and Permits	4,653	850	-	-	-	5,503
Interest	179,031	-	-	-	-	179,031
Miscellaneous	756	5,279	-	\$ 100	119	6,254
Total Receipts	1,381,452	257,550	-	100	1,119	1,640,221
Disbursements:						
Security of Persons & Property	515,111	195	-	-	-	515,306
Public Health Services	6,496	-	-	-	-	6,496
Leisure Time Activities	36,775	-	-	-	-	36,775
Community Environment	582	-	-	-	264	846
Transportation	148,493	147,510	-	-	-	296,003
General Government	186,785	686	-	-	-	187,471
Capital Outlay	19,359	122,984	-	83,593	-	225,936
Total Disbursements	913,601	271,375	-	83,593	264	1,268,833
Excess of Receipts Over/(Under) Disbursements	467,851	(13,825)	-	(83,493)	855	371,388
Other Financing Sources/(Uses):						
Transfers-In	22	2,000	-	60,000	-	62,022
Transfers-Out	(118,352)	-	-	-	(22)	(118,374)
Other Uses	(7,211)	-	-	-	(736)	(7,947)
Total Other Financing Sources/(Uses)	(125,541)	2,000	-	60,000	(758)	(64,299)
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	342,310	(11,825)	-	(23,493)	97	307,089
Fund Balance January 1, 2001	624,557	350,389	\$ 2,504	67,300	710	1,045,460
Fund Balance December 31, 2001	\$ 966,867	\$ 338,564	\$ 2,504	\$ 43,807	\$ 807	\$ 1,352,549

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, 2000

		<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
Receipts:		
Charges for Services	\$	2,995,844
Miscellaneous		60,406
		<u>3,056,250</u>
Total Receipts		3,056,250
Disbursements:		
Personal Services		622,562
Travel Transportation		1,494
Contractual Services		1,643,730
Supplies and Materials		83,399
Capital Outlay		816,428
		<u>3,167,613</u>
Total Disbursements		3,167,613
Excess Receipts Over/(Under) Disbursements		(111,363)
Non-Operating Revenues:		
Proceeds of Notes		425,000
Proceeds of O.W.D.A. Loan		394,647
Sale of Fixed Assets		10,125
		<u>829,772</u>
Total Non-Operating Revenues		829,772
Non-Operating Expenses:		
Debt Service:		
Principal		(474,767)
Interest		(98,108)
Other Non-Operating Expenses		(6,889)
		<u>(579,764)</u>
Total Non-Operating Expenses		(579,764)
Excess of Receipts Over/(Under) Disbursements		138,645
Net Receipts Over/(Under) Disbursements		138,645
Fund Balance January 1, 2000		2,209,647
Fund Balance December 31, 2000	\$	<u>2,348,292</u>

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, 2001

		Proprietary Fund Type Enterprise
Receipts:		
Charges for Services	\$	3,144,419
Miscellaneous		108,919
		3,253,338
Total Receipts		
 Disbursements:		
Personal Services		680,218
Travel Transportation		2,209
Contractual Services		1,684,907
Material and Supplies		92,872
Capital Outlay		581,086
		3,041,292
Total Disbursements		
Excess Receipts Over/(Under) Disbursements		212,046
 Non-Operating Revenues:		
Proceeds of O.W.D.A. Loan		54,168
		54,168
Total Non-Operating Revenues		
 Non-Operating Expenses:		
Debt Service:		
Principal		(506,630)
Interest		(156,478)
Other Non-Operating Expenses		(8,108)
		(671,216)
Total Non-Operating Expenses		
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers		(405,002)
Transfers-In		56,352
		(348,650)
Net Receipts Over/(Under) Disbursements		
Fund Balance January 1, 2001		2,348,292
		2,348,292
Fund Balance December 31, 2001		\$ 1,999,642
		1,999,642

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
For the Year Ended December 31, 2000

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>Governmental Fund Types:</u>			
General Fund	\$ 986,149	\$ 1,070,929	\$ 84,780
Special Revenue	268,467	240,265	(28,202)
Capital Projects	138,558	125,915	(12,643)
<u>Fiduciary Fund Types:</u>			
Expendable Trust Funds	3,000	1,971	(1,029)
<u>Proprietary Fund Types:</u>			
Enterprise Funds	<u>3,502,625</u>	<u>3,886,022</u>	<u>383,397</u>
Total (Memorandum Only)	\$ <u>4,898,799</u>	\$ <u>5,325,102</u>	\$ <u>426,303</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
 OTTAWA COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
 For the Year Ended December 31, 2001

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>Governmental Fund Types:</u>			
General Fund	\$ 1,064,422	\$ 1,381,474	\$ 317,052
Special Revenue	271,016	259,550	(11,466)
Capital Projects	60,000	60,100	100
<u>Fiduciary Fund Types:</u>			
Expendable Trust Funds	2,750	1,119	(1,631)
<u>Proprietary Fund Types:</u>			
Enterprise Funds	<u>3,200,177</u>	<u>3,363,858</u>	<u>163,681</u>
Total (Memorandum Only)	\$ <u>4,598,365</u>	\$ <u>5,066,101</u>	\$ <u>467,736</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
 OTTAWA COUNTY, OHIO
 COMBINED STATEMENT OF DISBURSEMENTS AND
 ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
 For the Year Ended December 31, 2000

<u>Fund Types/Funds</u>	<u>Carryover Appropriations</u>	<u>Year Ending 2000 Appropriations</u>	<u>Total</u>	<u>Actual 2000 Disbursements</u>	<u>Encumbrances as of 12/31/00</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ 49,488	\$ 1,456,352	\$ 1,505,840	\$ 966,063	\$ 75,223	\$ 1,041,286	\$ 464,554
Special Revenue Funds	30,645	506,196	536,841	158,251	46,657	204,908	331,933
Debt Service Fund	-	2,504	2,504	-	-	-	2,504
Capital Projects Funds	12,488	165,057	177,545	97,602	4,430	102,032	75,513
Fiduciary Funds:							
Expendable Trust Funds	70	4,886	4,956	3,217	-	3,217	1,739
Proprietary Funds:							
Enterprise Funds	<u>343,082</u>	<u>5,369,190</u>	<u>5,712,272</u>	<u>3,747,377</u>	<u>586,437</u>	<u>4,333,814</u>	<u>1,378,458</u>
Total (Memorandum Only)	\$ <u>435,773</u>	\$ <u>7,504,185</u>	\$ <u>7,939,958</u>	\$ <u>4,972,510</u>	\$ <u>712,747</u>	\$ <u>5,685,257</u>	\$ <u>2,254,701</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF OAK HARBOR
 OTTAWA COUNTY, OHIO
 COMBINED STATEMENT OF DISBURSEMENTS AND
 ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
 For the Year Ended December 31, 2001

<u>Fund Types/Funds</u>	<u>Carryover Appropriations</u>	<u>Year Ending 2001 Appropriations</u>	<u>Total</u>	<u>Actual 2001 Disbursements</u>	<u>Encumbrances as of 12/31/01</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ 75,222	\$ 1,613,757	\$ 1,688,979	\$ 1,039,164	\$ 86,704	\$ 1,125,868	\$ 563,111
Special Revenue Funds	46,657	574,749	621,406	271,375	11,375	282,750	338,656
Debt Service Fund	-	2,504	2,504	-	-	-	2,504
Capital Projects Funds	4,430	122,870	127,300	83,593	3,749	87,342	39,958
Fiduciary Funds:							
Expendable Trust Funds	-	3,460	3,460	1,022	-	1,022	2,438
Proprietary Funds:							
Enterprise Funds	<u>586,437</u>	<u>4,962,032</u>	<u>5,548,469</u>	<u>3,712,508</u>	<u>314,737</u>	<u>4,027,245</u>	<u>1,521,224</u>
Total (Memorandum Only)	\$ <u>712,746</u>	\$ <u>7,279,372</u>	\$ <u>7,992,118</u>	\$ <u>5,107,662</u>	\$ <u>416,565</u>	\$ <u>5,524,227</u>	\$ <u>2,467,891</u>

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, 2000 and 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Oak Harbor, (the Village) is a body corporate and politic 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 is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including sewer, electric utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the Village for financial reporting purposes, management has considered all agencies, departments and organizations making up the Village of Oak Harbor (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Village, as the primary government, is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Village has determined that there were no component units required to be included in the financial statements.

C. 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 disbursement 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

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

D. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received. See Note 2 for further description.

E. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

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 by law or contract to be accounted for in another fund.

Special Revenue Funds: To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

Debt Service Fund: This fund is used to accumulate resources for the payment of bond and note debt.

Capital Projects Funds: This fund is 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).

Proprietary Fund Types:

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

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. FUND ACCOUNTING - (continued)

Fiduciary Fund Types:

These funds are used to account for assets held by the Village in a trustee capacity. The following are the Village's fiduciary fund types:

Expendable Trust Fund: Trust funds are used to account for resources restricted by legally binding trust agreements.

F. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. She prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Treasurer.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk/Treasurer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2000 and 2001.

VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

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

F. **BUDGETARY PROCESS** – (continued)

2. **Estimated Resources** – (continued)

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2000 and 2001. However, those fund balances are available for appropriations.

3. **Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

4. **Encumbrances**

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end.

Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In the budgetary financial statements, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

G. **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.

H. **Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

I. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment pool used by all funds. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2000 and 2001."

Legal Requirements

State statutes classify monies held by the Village into three categories.

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

"Inactive deposits" are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

"Interim deposits" are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreement, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days;

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

Legal Requirements - (continued)

4. Bond and other obligations of the State of Ohio;
5. No -load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk/Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the Village's deposits were \$2,608,544 in 2000 and \$2,770,702 in 2001 and the bank balance was \$ 2,758,833 in 2000 and \$2,869,995 in 2001. Of the bank balance,

1. \$200,000 was covered by federal depository insurance in 2000 and \$200,000 was covered in 2001; and
2. \$2,558,833 in 2000 and \$2,669,995 in 2001 was uninsured, but collateralized by U.S. Government securities pooled by the depository not in the Village's name. As with all deposits, there is a risk of loss of resources, but management believes this collateral gives the Village its safest deposit of money.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

Investments:

The Village's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Village's name.

The following list represents all investments of the Village, categorized by risk category using the definitions above as of December 31, 2000 and 2001.

<u>2000</u>		<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreement	Category 3	\$ 785,208	\$ 785,208
	Total:	<u>\$ 785,208</u>	<u>\$ 785,208</u>

<u>2001</u>		<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreement	Category 3	\$ 581,489	\$ 581,489
	Total:	<u>\$ 581,489</u>	<u>\$ 581,489</u>

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB 3 is as follows:

<u>2000</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 682,752	\$ 2,711,000
Investments:		
Certificates of Deposit (with maturities greater than 3 months)	2,711,000	(2,711,000)
Repurchase Agreement	<u>(785,208)</u>	<u>\$ 785,208</u>
GASB Statement 3	<u>\$ 2,608,544</u>	<u>\$ 785,208</u>

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

Investments - (continued)

<u>2001</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 641,191	\$ 2,711,000
Investments:		
Certificates of Deposit (with maturities greater than 3 months)	2,711,000	(2,711,000)
Repurchase Agreements	<u>(581,489)</u>	<u>\$ 581,489</u>
GASB Statement 3	<u>\$2,770,702</u>	<u>\$ 581,489</u>

3. **PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the years ended December 31, 2000 and 2001 (received in 2000 and 2001) were \$8.30 for each year per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.21 and \$5.84 for 2000 and 2001, respectively, per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$7.36 and \$7.16 for 2000 and 2001, respectively, per \$1,000 of assessed valuation for commercial property. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

3. PROPERTY TAX - (continued)

The following represents the assessed property values for the revenues received during the years 2000 and 2001:

	2000	2001
Real Property		
Residential/Agricultural	\$ 25,589,630	\$ 29,480,230
Commercial/Industrial	5,108,930	5,401,970
Public Utilities	22,700	22,130
 Tangible Personal Property		
Personal Property	2,781,016	2,795,538
Public Utilities	1,134,850	1,090,630
 Total Valuation	\$ 34,637,126	\$ 38,790,498

The Ottawa County Treasurer collects property tax on behalf of all taxing Villages within the county. The Ottawa County Auditor periodically remits to the taxing Villages their portions of the taxes collected.

4. DEBT

Debt activity for the year ended December 31, 2000 was as follows:

	Balance 1/01/00	Additions	Deletions	Balance 12/31/00
Sanitary Sewer Improvement Note				
Interest Rate 4.15%				
8/8/00 maturity	\$ 100,000	\$ 100,000	\$ (100,000)	\$ 100,000
Various Purpose Bond Ant. Notes				
Interest Rate 3.70%				
3/16/00 maturity	325,000	325,000	(325,000)	325,000
OWDA Loan – Water System Imp.				
Interest Rate 5.5%				
1/1/05 maturity	66,179	-	(11,842)	54,337
OWDA Loan - WWTP/Storm Drain				
Interest Rate 7.51%				
1/1/15 maturity	1,045,494	-	(37,925)	1,007,569
OWDA Loan – Sludge Handling				
Interest Rate 4.25%				
1/1/21 maturity	554,747	394,647	-	949,394
 Total Debt	\$ 2,091,420	\$ 819,647	\$ (474,767)	\$ 2,436,300

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

4. **DEBT** - (continued)

The beginning balance of \$554,747 for the Ohio Water Development Loan for the Sludge Handling Project reflects the initial activity on the account in 1999 but not reported in previous audit.

Debt activity for the year ended December 31, 2001 was as follows:

	<u>Balance</u> <u>1/01/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/01</u>
Sanitary Sewer Improvement Note				
Interest Rate 4.15%				
8/8/01 maturity	\$ 100,000	-	\$ (100,000)	-
Various Purpose Bond Ant. Notes				
Interest Rate 3.70%				
3/16/01 maturity	325,000	-	(325,000)	-
OWDA Loan- Water System Imp				
Interest Rate 5.5%				
1/1/05 maturity	54,337	-	(12,493)	\$ 41,844
OWDA Loan –WWTP/Storm Drain				
Interest Rate 7.51%				
1/1/15 maturity	1,007,569	-	(40,774)	966,795
OWDA Loan – Sludge Handling				
Interest Rate 4.25%				
1/1/21 maturity	<u>949,394</u>	<u>\$ 54,168</u>	<u>(28,363)</u>	<u>975,199</u>
Total Debt	\$ 2,436,300	\$ 54,168	\$ (506,630)	\$ 1,983,838

The Ohio Water Development Authority (OWDA) loans relate to wastewater treatment plant improvements, storm drainage projects and water system improvements.

The amortization schedule for the Sludge Project O.W.D.A. loan was not available from O.W.D.A. as of the date of this report, therefore, is not included in the following schedule. Principal and interest requirements to retire other long-term obligations outstanding at December 31, 2001 are as follows:

<u>Year</u>	<u>O.W.D.A.</u>
2002	\$131,924
2003	131,924
2004	131,924
2005	124,183
2006	116,442
Subsequent	<u>1,051,979</u>
Total	<u>\$1,688,376</u>

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

5. RISK MANAGEMENT

The Village of Oak Harbor has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public Officials liability
- Law Enforcement Liability
- Vehicles

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the years.

6. RETIREMENT SYSTEMS

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

Contributions rates are prescribed by the Ohio Revised Code. The Village's PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% for 2000 and 13.55% for 2001 of participant's gross salaries. The Village has paid all contributions required through December 31, 2001.

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, 2000 and 2001 for police officers. The Village has paid all contributions required through December 31, 2001.

The Village does not have a fire department.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

7. LOCAL INCOME TAX

This locally levied tax of 1 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Government. It also applies to net income of business organizations conducted within the Village. Tax receipts are credited to the General Fund and equaled \$ 529,984 for 2000 and \$530,951 for 2001.

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 \$334,437 for the year 2001 to the joint venture. 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 3

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 3 (JV3) was created for that purpose. On dissolution of the joint venture, the net assets of JV3 will be shared by the participants on a percentage basis. The JV3 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 \$2,102 for the year 2000 to the joint venture. The Village of Oak Harbor's net investment and its share of the operating results of JV2 ownership share of the project is 3.604 percent. Complete financial statements for JV3 can be obtained from AMP-Ohio at 602 Dempsey Road, Westerville, Ohio 43081, or from the Village's Administrator. The JV3 joint venture ended in the year 2000 and the Village joined Joint Venture 2 in 2000.

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

8. JOINT VENTURES – (continued)

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 plan 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 \$184,528 and \$182,161 for the years 2000 and 2001 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:

Year Ending <u>December 31 ;</u>	Participant Debt <u>Service</u>
2002	\$102,561
2003	102,576
2004	102,602
Subsequent	<u>2,051,496</u>
Total	<u>\$2,359,241</u>

9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Ohio. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects, to be immaterial.

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING 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 accompanying financial statements of the Village of Oak Harbor (the Village), as of and for the years ended December 31, 2000 and 2001, and have issued our report thereon dated March 28, 2002. 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.

Compliance

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 and grants, 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*.

Internal Control 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 assurance 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 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 March 28, 2002.

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

Charles E. Harris & Associates, Inc.
March 28, 2002

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ended December 31, 1999 and 1998 did not include material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JUNE 18, 2002