

VILLAGE OF CAREY
WYANDOT COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2004



Mary Taylor, CPA
Auditor of State

Village Council
Village of Carey
127 N. Vance Street
Carey, Ohio 43316

We have reviewed the *Independent Auditors' Report* of the Village of Carey, Wyandot County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2004. 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 Carey is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 12, 2008

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Carey
Wyandot County

We have audited the accompanying financial statements of the Village of Carey, Wyandot County, Ohio, (the Village) as of and for the year ended December 31, 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.

Except as discussed in the following paragraph, 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 has prepared these financial statements using accounting practices the Auditor of State of Ohio 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this 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 of Ohio 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 year ended December 31, 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, 2004, or its changes in financial position for the year 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 Carey, Wyandot County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

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CERTIFIED PUBLIC ACCOUNTANTS

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 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 November 12, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

November 12, 2007

**VILLAGE OF CAREY
WYANDOT COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash receipts:-						
Local taxes	\$ 477,110	\$ 655,400	\$ 438,773	\$ 0	\$ 0	\$ 1,571,283
Special assessments	0	0	0	5,864	0	5,864
Intergovernmental	101,566	154,840	313	0	0	256,719
Charges for services	5,138	79,799	0	0	0	84,937
Fines, licenses, and permits	12,269	1,367	0	0	0	13,636
Earnings on investments	209,778	6,169	0	0	0	215,947
Miscellaneous	31,936	0	0	500	0	32,436
Total cash receipts	837,797	897,575	439,086	6,364	0	2,180,822
Cash disbursements:-						
Current:						
Security of persons and property	640,047	3,936	0	0	0	643,983
Public health services	18,145	25,332	0	0	0	43,477
Leisure time activities	0	110,353	0	0	0	110,353
Community environment	10,631	0	0	41,548	0	52,179
Basic utility services	29,017	0	0	0	0	29,017
Transportation	17,094	119,546	0	0	0	136,640
General government	317,017	52,228	11,356	0	7,900	388,501
Debt Service:						
Principal payments	0	0	146,582	0	0	146,582
Interest payments	0	0	109,121	0	0	109,121
Capital outlay	0	0	0	317,697	0	317,697
Total cash disbursements	1,031,951	311,395	267,059	359,245	7,900	1,977,550
Total receipts over (under) cash disbursements	(194,154)	586,180	172,027	(352,881)	(7,900)	203,272
Other financing receipts (disbursements):-						
Sale of fixed assets	27,874	0	0	0	0	27,874
Transfers-in	400,000	50,000	0	50,000	10,000	510,000
Transfers-out	(386,802)	(500,000)	0	0	0	(886,802)
Total other financing receipts (disbursements)	41,072	(450,000)	0	50,000	10,000	(348,928)
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(153,082)	136,180	172,027	(302,881)	2,100	(145,656)
Fund cash balances, January 1, 2004 (restated)	1,388,154	738,116	1,237,411	974,766	28,148	4,366,595
Fund cash balances, December 31, 2004	\$ 1,235,072	\$ 874,296	\$ 1,409,438	\$ 671,885	\$ 30,248	\$ 4,220,939
Reserve for encumbrances, December 31, 2004	\$ 14,128	\$ 2,000	\$ 0	\$ 76,656	\$ 0	\$ 92,784

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CAREY
 WYANDOT COUNTY**
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES - PROPRIETARY FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 4,796,156
Total operating cash receipts	4,796,156
OPERATING CASH DISBURSEMENTS:-	
Personal services	864,517
Travel transportation	1,953
Contractual services	3,115,918
Supplies and materials	157,257
Capital outlay	219,246
Total operating cash disbursements	4,358,891
Operating income	437,265
NON-OPERATING CASH RECEIPTS:-	
Sale of fixed assets	47,125
Total non-operating cash receipts	47,125
NON-OPERATING CASH DISBURSEMENTS:-	
Debt Service:	
Principal payments	(225,000)
Interest payments	(19,446)
Bond issuance costs	(9,417)
Total non-operating cash disbursements	(253,863)
Excess of receipts over (under) disbursements before interfund transfers	230,527
Transfers-in	376,802
Other uses	(16,081)
Net receipts over (under) disbursements	591,248
Fund cash balances, January 1, 2004	5,983,697
Fund cash balances, December 31, 2004	\$ 6,574,945
Reserve for encumbrances, December 31, 2004	\$ 55,270

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - The Village of Carey, Wyandot County, (the Village) is a body corporate and politic established to exercise 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 government services, including water, sewer, and electric utilities; park operations (leisure time activities), and police and fire services. The Village contracts with Wyandot County to provide ambulance services. The Village also operates a public cemetery.

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

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 or permitted by the Auditor of State of Ohio.

Cash and Investments - Investments are not 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.

Certificates of deposit are valued at cost.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Parks and Recreation Fund

This fund receives income tax revenue, fees from the swimming pool, and cablevision subscriber fees (by Council order) to fund the operation and maintenance of the swimming pool and park.

Income Tax Fund

This fund receives income tax revenue, and transfers are made to other funds (parks, capital improvements, general) per Council authorization.

Cemetery Fund

This fund receives income from the sale of lots, foundations, grave openings and closings, and endowments to fund operation of the municipal cemetery.

VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Debt Service Fund

The Sewer Debt Service Fund receives revenue from a ½ percent income tax to pay off long-term loans obtained for the improvement of the Village's sewer system.

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 Projects Funds:

Electric Capital Improvement Fund - This fund received loan proceeds to fund capital improvements to the Village's electric system.

Sewer Capital Improvement Fund - This fund accumulates resources to fund capital improvements to the Village's sewer system.

Capital Improvement Fund - This fund receives money from the municipal income tax to fund general capital improvement projects in the Village.

Assessment Fund - This fund receives money from assessments on various capital projects.

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 - The water fund receives charges for services from residents and commercial users to cover the cost of providing this utility.

Sewer Fund - The sewer fund receives charges for services from residents and commercial users to cover the cost of providing this utility.

Electric Fund - The electric fund receives charges for services from residents and commercial users to cover the cost of providing this utility.

Fiduciary Funds (Trust 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 non-expendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Fund:

Tree Commission Fund - This fund accumulates resources to maintain trees and shrubbery located along Village streets, in the park, and other public places.

Budgetary Process - The Ohio Revised Code requires that 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. The Wyandot County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources

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

Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

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. On Feb. 2, 2004, the Village approved the sale of 37.422 acres of land to the Carey Exempted Village School District for \$176,616. During 2004, \$75,000 of the sale price was received by the village, with \$27,874.45 going to the General Fund, \$11,906.30 to the Water Fund, and \$35,219.25 going to the Electric Fund, based on the formula used when the land was originally purchased by the Village in March 1995.

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.

NOTE 2 - EQUITY IN POOLED CASH:-

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2004 was as follows:

Demand deposits	\$	10,795,884
Total deposits	\$	<u>10,795,884</u>

Deposits - The Village's deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,509,300	\$ 1,265,671	\$ (243,629)
Special revenue	986,850	947,575	(39,275)
Debt service	460,000	439,086	(20,914)
Capital projects	124,000	56,364	(67,636)
Enterprise	5,529,700	5,220,083	(309,617)
Fiduciary	11,000	10,000	(1,000)
Total	\$ 8,620,850	\$ 7,938,779	\$ (682,071)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,122,212	\$ 1,418,753	\$ 703,459
Special revenue	1,011,995	811,395	200,600
Debt service	360,000	267,059	92,941
Capital projects	126,975	359,245	(232,270)
Enterprise	8,052,474	4,628,835	3,423,639
Fiduciary	10,000	7,900	2,100
Total	\$ 11,683,656	\$ 7,493,187	\$ 4,190,469

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 Wyandot County by December 31. If the property owner elects to make semi-annual payment, the first half is due December 31. The second half payment is due the following June 20.

NOTE 5 - LOCAL INCOME TAX:-

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village, as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 6 - DEBT:-

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>	<u>Final Payment</u>
Ohio Water Development Authority Loan #1	\$ 736,892	7.00%	07/01/2013
Ohio Water Development Authority Loan #2	526,631	7.00%	01/01/2013
Ohio Public Works Commission Loan	631,698	2.00%	07/01/2018
American Municipal Power-Ohio Loan	<u>1,275,000</u>	1.30%	07/31/2018
TOTAL	\$ <u><u>3,170,221</u></u>		

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$2,318,480 in loans to the Village for this project. The loans, which were approved in 1987, will be repaid in semi-annual payments over 25 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates at an amount to sufficiently cover operating and maintenance costs on an on-going basis, and commit sufficient income tax receipts to cover OWDA debt service requirements. In 2003, the Village benefited from OWDA's interest rate subsidy program, thereby saving the Village a total of \$67,572 in interest payments over the life of the loan. Original interest rates for the loans were 8.26% for Loan #1 and 7.11% for Loan #2.

The Village entered into a Project Loan Agreement in 2000 with the Ohio Public Works Commission (OPWC) in which the OPWC made project expenditures on behalf of the Village for a sanitary sewer overflow elimination project. The project was completed in 2002, and the OPWC provided the Village with a final payment schedule based on the project completion date and actual funds disbursed by the OPWC on behalf of the Village. The loan will be repaid in semi-annual installments of \$26,813, including interest, over a period of 15 years, and is collateralized by sewer debt fund income tax receipts.

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004**

NOTE 6 - DEBT:- (continued)

The American Municipal Power-Ohio (AMP-Ohio) loan relates to an electric system improvement project that was approved by Village Council in 2002. AMP-Ohio approved up to \$1,500,000 in loans to the Village for this project. The loan is collateralized by electric system receipts. The loan is renewable each year at a new interest rate, with an annual principal payment of \$225,000. The interest rate from January 1, 2004 to August 5, 2004 was 1.30% and the interest rate from August 5, 2004 through December 31, 2004 was 2.00%.

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

	OWDA <u>Loan 1</u>	OWDA <u>Loan 2</u>	OPWC <u>Loan</u>	AMP-Ohio <u>Loan</u>
Year ending December 31:				
2005	\$ 120,000	\$ 88,000	\$ 53,626	\$ 245,000
2006	123,440	88,022	53,626	245,000
2007	128,875	88,080	53,626	245,000
2008	134,759	88,142	53,626	245,000
2009	141,130	88,209	53,626	245,000
2010-2014	578,625	265,316	268,128	170,000
2015-2018	<u>0</u>	<u>0</u>	<u>187,689</u>	<u>0</u>
TOTAL	1,226,829	705,769	723,947	1,395,000
Less interest	<u>489,937</u>	<u>179,138</u>	<u>92,249</u>	<u>120,000</u>
	<u>\$ 736,892</u>	<u>\$ 526,631</u>	<u>\$ 631,698</u>	<u>\$ 1,275,000</u>

The Village also entered into a waterline extension project agreement with the Water and Sewer Rotary Commission whereby the Commission advanced \$90,000 to the Village for an indefinite term beginning Nov. 30, 2001. The purpose of this agreement is to promote the development of the Village by providing utility service to undeveloped property located in certain agricultural districts within the Village. Repayment of the amount advanced will be determined by the date in which the use of such property has been changed pursuant to Ohio Revised Code Section 929.03(D). The Village shall, upon such change in use, collect from the property owner an assessment for the portion of changed property and make repayment to the Commission in the full amount of the assessment.

On January 19, 2004, the Village entered into a \$104,922 lease purchase agreement for a new Elgin street sweeper. Five annual payments of \$22,412 are due in May of each year until the lease is retired. The price of the equipment is \$102,422 plus 4.71 percent interest for a total cost of \$112,060.

On June 21, 2004, a lease purchase agreement was entered into with Harco Leasing Company, Inc., for a new International snow plow/dump truck. Three annual payments of \$28,825 are due November 1 of 2004, 2005, and 2006. Total price of the equipment is \$81,964 plus 5.61 percent interest for a total of \$86,475.

The fifth and final payment of a lease/purchase agreement for a Vactor sewer/cleaner combination was made on August 8, 2004 in the amount of \$38,732.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7 - RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Fund (OPFPF). Other full-time and part-time employees, part-time law enforcement officers, fire chief, some volunteer firefighters, and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPFPF and OPERS are cost-sharing, multiple-employer pension plans. These plans provide retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Employees paying into Social Security include the remaining volunteer firemen. Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OPFPF participants contributed 10 percent of their gross wages and the Village contributed an amount equal to 19.5 percent of police participant wages. OPERS' members contributed 8.5 percent of their gross wages, and the Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

NOTE 8 - RISK MANAGEMENT

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains up to \$250,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000. Local political subdivision can elect additional coverage, up to a total limit of \$12,000,000 from the General Reinsurance Corporation.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000, up to \$600,000,000 per occurrence.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities, and unrestricted net assets at December 31, 2004.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 27,437,169	\$ 25,288,098
Liabilities	(13,880,038)	(12,872,985)
Retained earnings	\$ 13,557,131	\$ 12,415,113
 <u>Property Coverage</u>	 <u>2004</u>	 <u>2003</u>
Assets	\$ 3,648,272	\$ 3,158,813
Liabilities	(540,073)	(792,061)
Retained earnings	\$ 3,108,199	\$ 2,366,752

VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 9 - SUBSEQUENT EVENTS

The year 2004 ended with a record-setting snowstorm and 2005 began with a major ice storm. The Village submitted its expenses to the Federal Emergency Management Agency (FEMA) and received 75 percent reimbursement from FEMA and 12.50 percent from the state agency for a total of approximately \$97,000.

The installation of a wheelchair platform lift in the city building in 2005 brought the Village into compliance with the American with Disabilities Act.

The Village received news that it had been approved as a recipient of a \$2.14 million Road Enhancement Grant from the Ohio Department of Transportation to be used on a streetscape project.



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village Council
Village of Carey
Wyandot County

We have audited the accompanying financial statements of the Village of Carey, Wyandot County, Ohio (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated November 12, 2007, wherein we noted the Village followed accounting practices the Auditor of State of Ohio 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 Standard*, by the Comptroller General of the United States.

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 to express 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 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider 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 November 12, 2007.

Compliance and Other Matters

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

We intended this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

Holbrook & Manter

Certified Public Accountants

November 12, 2007

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS



Mary Taylor, CPA
Auditor of State

VILLAGE OF CAREY

WYANDOT 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 24, 2008**