

VILLAGE OF CAREY
WYANDOT COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

Council Members
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 year ended December 31, 2006. 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 30, 2009

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Carey
Wyandot County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Carey, Wyandot County, Ohio, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements 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.

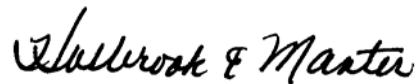
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 2, the Village has prepared these financial statements using the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Village of Carey, Wyandot County, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Income Tax funds thereof for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2009 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. 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*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants

May 20, 2009

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

This discussion and analysis of the Village of Carey's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$11,769 or less than 1 percent during 2006. Net assets of business-type activities decreased \$1,304,707 or 14.4 percent.

The Village's general receipts accounted for \$4,033,993 in revenue or 40.0 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants accounted for \$6,047,728 or 60.0 percent of total revenues.

Total program expenses were \$11,398,197; \$1,699,261 in governmental activities and \$9,698,936 in business-type activities.

Outstanding debt (excluding capital leases) increased from \$2,789,606 to \$4,243,855 for the year ended December 31, 2006.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. In the case of the Village of Carey, the general and income tax funds are the most significant governmental funds. The water, sewer and electric funds are the most significant enterprise funds.

The notes to the financial statements are an integral part of the village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

Basis of Accounting (continued)

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village of Carey.

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position, keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities – Most of the Village's basic services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type Activities – The Village has three major business-type activities, those being the provision of water, sewer, and electric service. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: Governmental, Proprietary (business-type).

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

Governmental Funds – The governmental fund financial statements provide a detailed view of the Village’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village’s programs. The Village’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village’s major governmental funds are the General Fund and the Income Tax funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has six enterprise funds, including the water, sewer and electric operating funds; storm water utility fund, utility deposits fund, and the sewer capital improvement fund, which is funded through income tax receipts. The water, sewer, and electric funds are classified as major funds.

The Village as a Whole

Table 1 provides a summary of the Village’s net assets for 2006 compared to 2005, on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash equivalents/ investments	\$ 2,112,470	\$ 2,124,239	\$ 7,774,306	\$ 9,079,013	\$ 9,886,776	\$ 11,203,252
Total assets	<u>\$ 2,112,470</u>	<u>\$ 2,124,239</u>	<u>\$ 7,774,306</u>	<u>\$ 9,079,013</u>	<u>\$ 9,886,776</u>	<u>\$ 11,203,252</u>
Net Assets						
Reserved for encumbrances	\$ 56,809	\$ 0	\$ 0	\$ 0	\$ 56,809	\$ 0
Restricted for;-						
Debt service	0	0	0	0	0	0
Capital outlay	226,028	138,823	0	0	226,028	138,823
Other purposes	345,942	722,970	0	0	345,942	722,970
Unrestricted	<u>1,483,691</u>	<u>1,262,446</u>	<u>7,774,306</u>	<u>9,079,013</u>	<u>9,257,997</u>	<u>10,341,459</u>
Total net assets	<u>\$ 2,112,470</u>	<u>\$ 2,124,239</u>	<u>\$ 7,774,306</u>	<u>\$ 9,079,013</u>	<u>\$ 9,886,776</u>	<u>\$ 11,203,252</u>

As mentioned previously, net assets of governmental activities decreased \$11,769 or less than 1 percent during 2006. Net assets of business-type funds decreased \$1,304,707 or 14.4 percent, for a total net assets decrease of \$1,316,476, or 11.8 percent for 2006.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 for governmental activities, business-type activities and total primary government. Since the government restated the net assets at January 1, 2007, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

(Table 2)

Changes in Net Assets

	Governmental	Business Type	
	Activities	Activities	Total
	2006	2006	2006
Receipts:-			
Program Receipts:-			
Charges for services and sales	\$ 65,353	\$ 5,784,920	\$ 5,850,273
Capital grants and contributions	196,388	1,067	197,455
Total program receipts	<u>261,741</u>	<u>5,785,987</u>	<u>6,047,728</u>
General Receipts:-			
Property and other local taxes	417,217	0	417,217
Income taxes	618,219	453,624	1,071,843
Other local taxes	4,198	0	4,198
Intergovernmental	143,144	0	143,144
OWDA Loan proceeds	0	1,844,558	1,844,558
Interest	484,159	0	484,159
Miscellaneous	68,874	0	68,874
Total general receipts	<u>1,735,811</u>	<u>2,298,182</u>	<u>4,033,993</u>
Total receipts	<u>1,997,552</u>	<u>8,084,169</u>	<u>10,081,721</u>
Disbursements:-			
General government	492,664	0	492,664
Security of Persons and Property:-	708,116	0	708,116
Public health services	70,552	0	70,552
Leisure time activities	99,602	0	99,602
Community environment	31,174	0	31,174
Basic utilities	20,103	0	20,103
Transportation	188,650	0	188,650
Capital outlay	65,988	0	65,988
Principal retirement	19,522	0	19,522
Interest payments	2,890	0	2,890
Electric	0	6,628,490	6,628,490
Sewer	0	2,656,419	2,656,419
Storm water utility	0	52,793	52,793
Utility deposit	0	23,024	23,024
Water	0	338,210	338,210
Total disbursements	<u>1,699,261</u>	<u>9,698,936</u>	<u>11,398,197</u>
Excess (deficiency) before transfers	298,291	(1,614,767)	(1,316,476)
Transfers	<u>(310,060)</u>	<u>310,060</u>	<u>0</u>
Increase (decrease) in net assets	<u>(11,769)</u>	<u>(1,304,707)</u>	<u>(1,316,476)</u>
Net assets, Jan. 1, (restated)	2,124,239	9,079,013	11,203,252
Net Assets, Dec. 31,	<u><u>\$ 2,112,470</u></u>	<u><u>\$ 7,774,306</u></u>	<u><u>\$ 9,886,776</u></u>

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

Governmental Activities

Program receipts represent only 60.5 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to other governmental agencies for police services provided under contract.

General receipts represent 39.5 percent of the Village's total receipts, and of this amount, 46.5 percent are taxes. Other receipts such as investments earnings make up a portion (8.3 percent) of general receipts. The remaining receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of police and fire protection. The expense of \$708,116 represents 26.3 percent of the total expenses. Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads. These areas had expenses of \$410,081 in 2006, equaling 24.1 percent of the total governmental service expenses.

Business-type Activities

Business type activities include the water, sewer and electric operations. The revenues are generated primarily from charges for services. In 2006, charges for services of \$5,784,920 accounted for 71.6 percent of the business-type revenues. The total expenses for the utilities were \$9,698,936. The Village had a decrease in net assets of \$1,304,707 for the business-type activities. Power costs from AEP nearly doubled beginning in 2006, and an increase in customer utility rates was implemented later in 2006 to help defray the additional cost of power to the village.

The Village's Funds

Total governmental funds had receipts of \$1,997,552, exclusive of other financing sources and disbursements of \$1,699,261, exclusive of other financing uses. The greatest change within governmental funds occurred within the Income Tax Fund. The fund balance of the Income Tax Fund decreased \$69,188 as the result of increased costs for salaries and benefits and not achieving anticipated growth in income tax receipts. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

All business-type funds had operating expenses of \$9,698,936 which was more than total revenues of \$8,394,229 by \$1,304,707.

General Fund Budgeting Highlights

The Village of Carey's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**VILLAGE OF CAREY
 WYANDOT COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (UNAUDITED)**

During 2006, the Government amended its General Fund budget one time to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts by \$105,800 due to the sale of fixed assets and an increase in intergovernmental receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements (exclusive of other financing sources) were budgeted at \$1,643,222 while actual disbursements were \$1,238,223. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$7,872 for 2006.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt

At December 31, 2006, the Village's outstanding debt (excluding capital leases) was \$4,243,854. Long-term debt was comprised of loans from OWDA, OPWC, and AMP-Ohio for various capital improvement projects. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

(Table 3)
Outstanding Debt, at December 31,

	Business-Type Activities	
	2006	2005
AMP- Ohio Revenue	\$ 825,000	\$ 1,050,000
OPWC Loan	548,477	590,502
OWDA Loan	2,870,378	1,149,104
Total	\$ 4,243,855	\$ 2,789,606

During 2006, the Village entered into a loan agreement with Ohio Water Development Authority (OWDA) in the amount of \$2,240,415. The proceeds of this loan are being used for a waterline extension project that was mandated by the Ohio Environmental Protection Agency. Only \$1,844,558 was disbursed during 2006 from this loan and were recorded on the Villages financial statements as loan proceeds during the year.

During 2000, the Village entered into a loan agreement with the Ohio Public Works Commission (OPWC) for the purpose of a sanitary sewer overflow elimination project.

During 2002, the Village entered into a loan agreement with American Municipal Power-Ohio (AMP-Ohio) in the amount of \$1,500,000. The purpose of this loan was for an electric system improvement project.

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Antonia Ahlberg, Clerk-Treasurer, Village of Carey, 127 N. Vance Street, Carey, OH 43316, telephone (419) 396-7681 or email vocclerk@udata.com.

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS:-			
Equity in pooled cash and cash equivalents	\$ 2,112,470	\$ 7,774,306	\$ 9,886,776
Total assets	<u>\$ 2,112,470</u>	<u>\$ 7,774,306</u>	<u>\$ 9,886,776</u>
 NET ASSETS:-			
Reserved for encumbrances	\$ 56,809	\$ 0	\$ 56,809
Restricted for:-			
Capital outlay	226,028	0	226,028
Other purposes	345,942	0	345,942
Unrestricted	<u>1,483,691</u>	<u>7,774,306</u>	<u>9,257,997</u>
Total net assets	<u>\$ 2,112,470</u>	<u>\$ 7,774,306</u>	<u>\$ 9,886,776</u>

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2006

	General	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:-				
Equity in pooled cash and cash equivalents	\$ 1,143,847	\$ 396,650	\$ 571,973	\$ 2,112,470
Total assets	<u>\$ 1,143,847</u>	<u>\$ 396,650</u>	<u>\$ 571,973</u>	<u>\$ 2,112,470</u>
FUND BALANCES:-				
Reserved;-				
Reserved for encumbrances	\$ 56,809	\$ 0	\$ 0	\$ 56,809
Unreserved, undesignated, reported in;-				
General fund	1,087,038	0	0	1,087,038
Special revenue funds	0	396,650	345,945	742,595
Capital project funds	0	0	226,028	226,028
Total fund balances	<u>\$ 1,143,847</u>	<u>\$ 396,650</u>	<u>\$ 571,973</u>	<u>\$ 2,112,470</u>

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
ASSETS:-					
Equity in pooled cash and cash equivalents	\$ 926,421	\$ 2,219,987	\$ 4,048,377	\$ 579,521	\$ 7,774,306
Total assets	<u>\$ 926,421</u>	<u>\$ 2,219,987</u>	<u>\$ 4,048,377</u>	<u>\$ 579,521</u>	<u>\$ 7,774,306</u>
NET ASSETS:-					
Unrestricted	\$ 926,421	\$ 2,219,987	\$ 4,048,377	\$ 579,521	\$ 7,774,306
Total net assets	<u>\$ 926,421</u>	<u>\$ 2,219,987</u>	<u>\$ 4,048,377</u>	<u>\$ 579,521</u>	<u>\$ 7,774,306</u>

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Cash			Net (Disbursements) Receipts and		
	Cash	Cash Receipts		Changes in Net Assets		
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:-						
General government	\$ 492,664	\$ 0	\$ 0	\$ (492,664)	\$ 0	\$ (492,664)
Security of persons and property	708,116	7,472	0	(700,644)	0	(700,644)
Public health	70,552	22,651	0	(47,901)	0	(47,901)
Leisure time activities	99,602	35,230	0	(64,372)	0	(64,372)
Community and economic development	31,174	0	0	(31,174)	0	(31,174)
Basic utility services	20,103	0	0	(20,103)	0	(20,103)
Transportation	188,650	0	188,388	(262)	0	(262)
Capital outlay	65,988	0	8,000	(57,988)	0	(57,988)
Debt service:-						
Principal retirement	19,522	0	0	(19,522)	0	(19,522)
Interest and fiscal charges	2,890	0	0	(2,890)	0	(2,890)
Total governmental activities	<u>\$ 1,699,261</u>	<u>\$ 65,353</u>	<u>\$ 196,388</u>	<u>\$ (1,437,520)</u>	<u>\$ 0</u>	<u>\$ (1,437,520)</u>
PROPRIETARY ACTIVITIES:-						
Electric	\$ 6,628,490	\$ 4,921,080	\$ 0	\$ 0	\$ (1,707,410)	\$ (1,707,410)
Sewer	2,656,419	433,291	1,067	0	(2,222,061)	(2,222,061)
Storm water utility	52,793	66,949	0	0	14,156	14,156
Utility deposit	23,024	41,319	0	0	18,295	18,295
Water	338,210	322,281	0	0	(15,929)	(15,929)
Total business-type activities	<u>\$ 9,698,936</u>	<u>\$ 5,784,920</u>	<u>\$ 1,067</u>	<u>\$ 0</u>	<u>\$ (3,912,949)</u>	<u>\$ (3,912,949)</u>
Total	<u>\$ 11,398,197</u>	<u>\$ 5,850,273</u>	<u>\$ 197,455</u>	<u>\$ (1,437,520)</u>	<u>\$ (3,912,949)</u>	<u>\$ (5,350,469)</u>
GENERAL RECEIPTS:-						
Property taxes				\$ 417,217	\$ 0	\$ 417,217
Income taxes				618,219	453,624	1,071,843
Other local taxes				4,198	0	4,198
Intergovernmental				143,144	0	143,144
OWDA loan proceeds				0	1,844,558	1,844,558
Investment earnings				484,159	0	484,159
Miscellaneous				68,874	0	68,874
Total general receipts				1,735,811	2,298,182	4,033,993
Transfers				(310,060)	310,060	0
Total general receipts and transfers				1,425,751	2,608,242	4,033,993
Change in net assets				(11,769)	(1,304,707)	(1,316,476)
Net assets beginning of year, restated				2,124,239	9,079,013	11,203,252
Net assets at end of year				<u>\$ 2,112,470</u>	<u>\$ 7,774,306</u>	<u>\$ 9,886,776</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CAREY
WYANDOT COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Income Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:-				
Property and other local taxes	\$ 417,217	\$ 0	\$ 0	\$ 417,217
Income tax	0	618,219	0	618,219
Charges for services	7,472	0	35,231	42,703
Fines, licenses, and permits	10,202	0	20,448	30,650
Intergovernmental	141,002	2,142	188,388	331,532
Special assessments	0	0	4,198	4,198
Earnings on investments	476,943	0	7,216	484,159
Miscellaneous	15,575	0	53,299	68,874
Total receipts	1,068,411	620,361	308,780	1,997,552
DISBURSEMENTS:-				
Current:-				
General government	443,115	49,549	0	492,664
Security of persons and property	705,521	0	2,595	708,116
Health	10,429	0	60,123	70,552
Community environment	31,174	0	0	31,174
Basic utility services	20,103	0	0	20,103
Transportation	27,881	0	160,769	188,650
Leisure time activities	0	0	99,602	99,602
Debt Service:-				
Principal payments	0	0	19,522	19,522
Interest payments	0	0	2,890	2,890
Capital outlay	0	0	65,988	65,988
Total disbursements	1,238,223	49,549	411,489	1,699,261
OTHER FINANCING SOURCES (USES):-				
Transfers - in	512,000	0	168,000	680,000
Transfers - out	(350,060)	(640,000)	0	(990,060)
Sale of fixed assets	0	0	0	0
Total other financing sources (uses)	161,940	(640,000)	168,000	(310,060)
Net change in fund balances	(7,872)	(69,188)	65,291	(11,769)
Fund balances beginning of year (restated)	1,151,719	465,838	506,682	2,124,239
Fund balances end of year	\$ 1,143,847	\$ 396,650	\$ 571,973	\$ 2,112,470

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
RECEIPTS:-					
Charges for services	\$ 322,281	\$ 433,291	\$ 4,921,080	\$ 108,268	\$ 5,784,920
Total receipts	322,281	433,291	4,921,080	108,268	5,784,920
DISBURSEMENTS:-					
Operating disbursements:-					
Personal services	217,077	268,645	445,381	0	931,103
Travel	649	592	2,050		3,291
Contractual services	43,321	134,414	5,421,997	52,793	5,652,525
Materials and supplies	77,163	65,352	216,058	23,024	381,597
Capital outlay	0	1,914,228	268,887	0	2,183,115
Other disbursements	0	11,325	16,134		27,459
Non-Operating disbursements:-					
Principal payments	0	165,309	225,000	0	390,309
Interest and other fiscal charges	0	96,554	32,983	0	129,537
Total disbursements	338,210	2,656,419	6,628,490	75,817	9,698,936
NON-OPERATING RECEIPTS:-					
Loan proceeds	0	1,844,558	0	0	1,844,558
Taxes	0	453,624	0	0	453,624
Intergovernmental	0	1,067	0	0	1,067
Transfers - in	0	0	310,060	0	310,060
Total other financing sources (uses)	0	2,299,249	310,060	0	2,609,309
Net change in fund balances	(15,929)	76,121	(1,397,350)	32,451	(1,304,707)
Fund balances beginning of year (restated)	942,350	2,143,866	5,445,727	547,070	9,079,013
Fund balances end of year	\$ 926,421	\$ 2,219,987	\$ 4,048,377	\$ 579,521	\$ 7,774,306

See accompanying notes to the basic financial statements

**VILLAGE OF CAREY
WYANDOT COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 110,000	\$ 110,000	\$ 417,217	\$ 307,217
Intergovernmental	500,000	565,050	141,002	(424,048)
Charges for services	5,100	5,150	7,472	2,322
Fines, licenses, and permits	13,100	13,100	10,202	(2,898)
Earning on investments	400,000	440,700	476,943	36,243
Miscellaneous	45,000	45,000	15,575	(29,425)
Total receipts	1,073,200	1,179,000	1,068,411	(110,589)
DISBURSEMENTS:-				
Current:-				
Community environment	52,852	52,852	31,174	21,678
Basic utility services	21,000	21,000	20,103	897
Transportation	97,500	97,500	27,881	69,619
General government	579,723	579,723	443,115	136,608
Public safety	877,147	877,147	705,521	171,626
Health	15,000	15,000	10,429	4,571
Total disbursements	1,643,222	1,643,222	1,238,223	404,999
OTHER FINANCING SOURCES (USES):-				
Transfers in	512,000	512,000	512,000	0
Transfers out	(860,000)	(860,000)	(350,060)	509,940
Sale of assets	0	25,000	0	(25,000)
Total other financing sources	(348,000)	(323,000)	161,940	484,940
Net change in fund balance	(918,022)	(787,222)	(7,872)	779,350
Fund balance beginning of year	1,151,719	1,151,719	1,151,719	0
Prior year encumbrances appropriated	7,311	7,311	7,311	0
Fund balance end of year	\$ 241,008	\$ 371,808	\$ 1,151,158	\$ 779,350

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
RECEIPTS:-				
Property and other local taxes	\$ 640,000	\$ 641,200	\$ 618,219	\$ (22,981)
Intergovernmental	<u>0</u>	<u>0</u>	<u>2,142</u>	<u>2,142</u>
Total receipts	<u>640,000</u>	<u>641,200</u>	<u>620,361</u>	<u>(20,839)</u>
DISBURSEMENTS:-				
General government	<u>95,788</u>	<u>95,788</u>	<u>49,549</u>	<u>46,239</u>
Total disbursements	<u>95,788</u>	<u>95,788</u>	<u>49,549</u>	<u>46,239</u>
OTHER FINANCING SOURCES (USES):-				
Municipal income tax - capital improvement 10%	(64,000)	(64,000)	(64,000)	0
Municipal income tax - parks 10%	(64,000)	(64,000)	(64,000)	0
Municipal income tax - general fund 80%	<u>(512,000)</u>	<u>(512,000)</u>	<u>(512,000)</u>	<u>0</u>
Total other financing sources	<u>(640,000)</u>	<u>(640,000)</u>	<u>(640,000)</u>	<u>0</u>
Net change in fund balance	(95,788)	(94,588)	(69,188)	25,400
Fund balance beginning of year	465,838	465,838	465,838	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u>\$ 370,050</u>	<u>\$ 371,250</u>	<u>\$ 396,650</u>	<u>\$ 25,400</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 - REPORTING ENTITY:-

The Village of Carey, Wyandot County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that were included to ensure that the financial statements are not misleading. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Primary Government - The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The Village provides general government services; water, sewer, and electric utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department and contracts with Wyandot County for emergency medical services. The Village also manages a public cemetery.

Component Units - Component units are legally separate organizations for which the village 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 the (1) the Village is able to significantly influence the program 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 support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

These financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

Basis of Presentation - The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements reflect activities of the Village that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The statement of net assets presents the cash and investment balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements - During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds would be reported by type, but the client doesn't maintain any fiduciary funds.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

Fund Accounting - The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Village's funds are divided into two categories, governmental and proprietary.

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Income Tax Fund -The Income Tax Fund is a special revenue fund in which a one percent tax is used to fund capital improvements, the park system, and the general fund.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water, sewer, and electric funds.

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

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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.

Basis of Accounting - The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when ability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process - All funds are legally required to be budgeted and appropriated annually. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Cash and Investments - To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

During 2006, the Village invested in Federal Home Loan Bank Discount Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes. All investments are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 amounted to \$476,943.

Restricted Assets - Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

Inventory and Prepaid Items - The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

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

Interfund Receivables/Payables - The Village reports advances-in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

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

Employer Contributions to Cost-Sharing Pension Plans - The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations - The Village's modified-cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves - The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Inter-fund Transactions - Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

NOTE 3 - RESTATEMENT OF FUND BALANCE/NET ASSETS:-

During 2006, the Village restated several fund balances as a result of a reclassification of accounts.

	<u>General</u>	<u>Income Tax Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund balance at					
December 31, 2006	\$ 1,117,891	\$ 465,838	\$ 1,587,942	\$ 861,793	\$ 4,033,464
Change in fund structure	<u>33,828</u>	<u>0</u>	<u>(1,587,942)</u>	<u>(355,111)</u>	<u>(1,909,225)</u>
Adjusted fund balance at December 31, 2005	<u>\$ 1,151,719</u>	<u>465,838</u>	<u>0</u>	<u>506,682</u>	<u>2,124,239</u>

The restatement had the following effect on the net assets.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise</u>	<u>Total Proprietary Funds</u>	<u>Tree Commission Fund</u>
Net assets at						
December 31, 2006	\$ 941,409	\$ 481,076	\$ 5,166,405	\$ 547,070	\$ 7,135,960	\$ 33,828
Change in fund structure	<u>941</u>	<u>1,662,790</u>	<u>279,322</u>	<u>0</u>	<u>1,943,053</u>	<u>(33,828)</u>
Adjusted net assets at December 31, 2005	<u>\$ 942,350</u>	<u>2,143,866</u>	<u>5,445,727</u>	<u>547,070</u>	<u>9,079,013</u>	<u>0</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING:-

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General Fund and Income Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances and are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The Village did have outstanding encumbrances at year end.

NOTE 5 - DEPOSITS AND INVESTMENTS:-

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS:- (continued)

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 five 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 that 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 held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 must be purchased with the expectation that it will be held to maturity.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS:- (continued)

At year end, the Village had no undeposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the federal Reserve Bank in the name of the Village.

At year end, the carrying amount of the Village's deposits was \$5,905,866. Based on the criteria described in the GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2006, \$5,869,713 of the Village's bank balance of \$6,069,713 was exposed to custodial credit risk, as discussed above, while \$200,000 was covered by Federal Depository Insurance Corporation.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment or all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village's investments are required to be categorized to give an indication of the level of risk assumed by the Village at year end. Category one includes investments insured or registered or for which the Village or its agent holds the securities in the Village's name. Category two includes uninsured and unregistered investments for which the counterparty's trust department or an agent holds securities in the Village's name. Category three includes uninsured and unregistered investments for which the counterparty or its trust department or agent holds securities not in the Village's name.

As of December 31, 2006, the Village had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>18 to 24 Months</u>
FHLBB	\$ 497,345	\$ 0	\$ 497,345	\$ 0	\$ 0
FHLB	1,487,035	997,815	0	489,220	0
FHLMC	497,790	0	497,790	0	0
FNMA	1,496,880	0	0	499,690	997,190
Total investments	\$ 3,979,050	\$ 997,815	\$ 995,135	\$ 988,910	\$ 997,190

Interest Rate Risk

As means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Village's investment policy limits investment portfolio maturities to five years or less.

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006**

NOTE 5 - DEPOSITS AND INVESTMENTS:- (continued)

Credit Risk

The Village's investments in FHLB DN, FHLB, FHLMC, and FNMA were all rated AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively.

Concentration of Credit Risk

The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Village at December 31, 2006:

<u>Investment Type</u>	<u>Value</u>	<u>Percent of Total</u>
FHLBB	\$ 497,345	12.50%
FHLB	1,487,035	37.37%
FHLMC	497,790	12.51%
FNMA	1,496,880	37.62%
Total Investments	\$ <u>3,979,050</u>	<u>100.00%</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 6 - INCOME TAXES:-

The Village levies a 1.5 percent income tax. Of that amount, one percent of the proceeds are placed in the General Fund and the remaining one-half percent is placed in the Sewer Debt Retirement Fund, by council action. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city of one hundred percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 7 - PROPERTY TAXES:-

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$1.90 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property:-	
Residential	\$ 35,603,560
Agriculture	47,240
Commercial/industrial/ mineral	8,143,910
Public Utility Property:-	
Real	25,920
Personal	676,380
Tangible personal property	7,465,446
Total assessed value	\$ 51,962,456

NOTE 8 - RISK MANAGEMENT:-

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. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporations.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 8 - RISK MANAGEMENT:- (continued)

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.

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 to 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 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$ 36,123,194	\$ 34,163,007
Liabilities	(16,738,904)	(17,062,414)
Retained earnings	\$ 19,384,290	\$ 17,100,593

NOTE 9 - DEFINED BENEFIT PENSION PLAN:-

Ohio Public Employees Retirement System - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 9 - DEFINED BENEFIT PENSION PLAN:- (continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$133,882, \$98,681 and \$94,883, respectively. The full amount has been contributed for 2006, 2005 and 2004.

Ohio Police and Fire Protection Fund - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to full-time law enforcement officers of the village and their beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to fund pension benefits for the years ended December 31, 2006, 2005, and 2004 were \$46,048, \$26,862, and \$25,856, respectively. The full amount has been contributed for 2006, 2005 and 2004.

NOTE 10 - POST EMPLOYMENT BENEFITS:-

Ohio Public Employees Retirement System - The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.5 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,215. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Ohio Police and Fire Pension Fund - The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006**

NOTE 10 - POST EMPLOYMENT BENEFITS:- (continued)

or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the post-employment health care program during 2007. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund post-employment health care benefits for police were approximately \$15,000 for police. Combined employer and member contributions to the OP&FPF for the year ending December 31, 2006 (the latest information available), was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

NOTE 11 - DEBT:-

Debt outstanding at December 31, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>	<u>Final Payment</u>
Ohio Water Development Authority Loan #1	\$ 420,737	7.11%	1/1/2013
Ohio Water Development Authority Loan #2	605,083	8.26%	7/1/2013
Ohio Water Development Authority Loan #3	1,844,558	1.00%	1/1/2027
Ohio Public Works Commission Loan	548,477	0.02%	7/1/2018
American Municipal Power-Ohio Loan	<u>825,000</u>	1.65%-5.0%	8/1/2010
Total	\$ <u>4,243,855</u>		

During 2006, the Village entered into a loan agreement with Ohio Water Development Authority (OWDA) in the amount of \$2,240,415. The proceeds of this loan are being used for a waterline extension project that was mandated by the Ohio Environmental Protection Agency. As of December 31, 2006, the Village had drawn down \$1,844,558. The Village will begin repaying the loan in 2007. The loan was not fully drawn down therefore a final amortization schedule is not available.

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

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 11 - DEBT:- (continued)

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.

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, 2006 was 2.00%.

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

Year ending December 31:	OWDA Loan 1		OWDA Loan 2		OPWC Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 58,659	\$ 29,914	\$ 74,178	\$ 49,980	\$ 42,869	\$ 10,756
2008	62,829	25,744	80,305	43,853	43,731	9,895
2009	67,296	21,277	86,938	37,220	44,610	9,016
2010	72,081	16,492	94,119	30,039	45,507	8,119
2011	77,206	11,367	101,893	22,264	46,421	7,204
2012-2016	82,666	5,937	167,650	18,585	246,483	21,645
2017-2021	0	0	0	0	78,856	1,582
Total	\$ 420,737	\$ 110,731	\$ 605,083	\$ 201,941	\$ 548,477	\$ 68,217

Year ending December 31:	AMP Ohio		Total	
	Principal	Interest	Principal	Interest
2007	\$ 225,000	\$ 36,917	\$ 400,706	\$ 127,567
2008	225,000	29,617	411,865	109,109
2009	225,000	18,750	423,844	86,263
2010	150,000	7,500	361,707	62,150
2011	0	0	225,520	40,835
2012-2016	0	0	496,800	46,167
2017-2021	0	0	78,855	1,582
Total	\$ 825,000	\$ 92,784	\$ 2,399,297	\$ 473,673

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

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006**

NOTE 11 - DEBT:- (continued)

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. A change in use occurred during 2005 and the Village collected from the property owner an assessment of \$33,311 for the portion of changed property and a payment was made to the Commission in the full amount of the assessment. The balance of the advance was \$56,689 at December 31, 2006.

NOTE 12 - LEASES:-

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. Future Lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 22,412
2008	22,412
Less interest	(2,016)
Total	\$ 42,808

NOTE 13 - INTER-FUND TRANSFERS:-

During 2006, the following transfers were made:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General	\$ 350,060	\$ 512,000
Income Tax	640,000	0
Other Governmental Funds:		
Capital Improvement	0	64,000
Electric	0	310,060
Parks and Recreation	0	104,000
Total	\$ 990,060	\$ 990,060

By council authorization, monies are transferred twice a year from the income tax fund to the general fund (80%), park and recreation fund (10%) and capital improvement fund (10%). The remaining transfers from the General Fund to the various other non-major funds were to cover operating costs.

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006**

NOTE 14 - CONSTRUCTION AND CONTRACTUAL COMMITMENTS:-

Typically, the Village attempts to complete all construction and consulting contracts before year-end, however, the following projects extended beyond calendar year end 2006:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2006</u>
CTI Engineers - Streetscape engineering	\$ 365,000	\$ 77,854	\$ 287,146
Mosser Construction, Inc - Wastewater construction	2,064,436	1,392,419	672,017
Jones & Henry Engineering - Waste Water treatment plant rehab engineering	<u>171,462</u>	<u>131,371</u>	<u>40,091</u>
Total	<u>\$ 2,600,898</u>	<u>\$ 1,601,644</u>	<u>\$ 999,254</u>



**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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2006, and have issued our report thereon dated May 20, 2009, wherein we noted the Village had followed the modified-cash basis of accounting 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 2006-001.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 the management of the Village in a separate letter dated May 20, 2009.

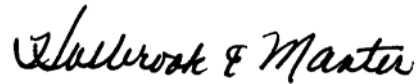
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated May 20, 2009.

The Village of Carey's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village of Carey's response and, accordingly, we express no opinion on it.

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



Certified Public Accountants

May 20, 2009

**VILLAGE OF CAREY
WYANDOT COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

Finding Number	2006-001
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Significant Deficiency - Internal Control and Review Procedures

Although the Council Members receive and review a select number of reports from the Village Clerk for approval on a monthly basis, the Village has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting.

During our testing and analysis, we noted that the Village inappropriately posted a KWH tax entry inflating the electric fund by an amount not deemed to be a material misstatement to the year end financials. An adjustment was made to properly correct and report the general fund and the electric fund to account for this misstatement.

In addition, during our testing and analysis, we noted that the Village Council is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Village should carefully review monthly documents and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials' thoroughly reviewed and approved those documents.

In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Council each month.

Officials' Response

The Village Clerk will review the monthly KWH entries to verify entries are properly made and funds are properly stated to reflect monthly transactions.

The Village Clerk will also continue to provide the bank reconciliations and bank statements to the Village Council for their review and approval at each months meeting. The Village Council will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.



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
JULY 14, 2009