



**Auditor of State
Betty Montgomery**

VILLAGE OF CAREY
CRAWFORD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Carey
Wyandot County
127 North Vance Street
Carey, Ohio 43316

To the Village Council:

We have audited the accompanying financial statements of the Village of Carey, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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 combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 26, 2004

**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, 2003**

| | <u>Governmental Fund Types</u> | | | | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | | | |
| Property Taxes and Other Local Taxes | \$479,895 | \$652,279 | \$447,026 | \$0 | \$0 | \$1,579,200 |
| Special Assessments | 0 | 0 | 0 | 6,034 | 0 | 6,034 |
| Intergovernmental Receipts | 99,026 | 133,295 | 0 | 0 | 0 | 232,321 |
| Charges for Services | 5,086 | 53,801 | 0 | 0 | 0 | 58,887 |
| Fines, Licenses, and Permits | 11,048 | 1,447 | 0 | 0 | 0 | 12,495 |
| Earnings on Investments | 369,159 | 0 | 0 | 0 | 0 | 369,159 |
| Miscellaneous | 41,979 | 8,837 | 0 | 0 | 0 | 50,816 |
| Total Cash Receipts | 1,006,193 | 849,659 | 447,026 | 6,034 | 0 | 2,308,912 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 602,953 | 540 | 0 | 0 | 0 | 603,493 |
| Public Health Services | 20,477 | 17,723 | 0 | 0 | 0 | 38,200 |
| Leisure Time Activities | 0 | 63,730 | 0 | 0 | 0 | 63,730 |
| Community Environment | 10,396 | 0 | 0 | 16,850 | 0 | 27,246 |
| Basic Utility Services | 27,703 | 0 | 0 | 0 | 0 | 27,703 |
| Transportation | 15,505 | 125,399 | 0 | 0 | 0 | 140,904 |
| General Government | 250,368 | 30,598 | 0 | 0 | 4,175 | 285,141 |
| Debt Service: | | | | | | |
| Principal Payments | 0 | 0 | 118,461 | 0 | 0 | 118,461 |
| Interest Payments | 0 | 0 | 121,321 | 0 | 0 | 121,321 |
| Financing and Other Debt-Service Related | | | | | | 0 |
| Capital Outlay | 154,272 | 41,136 | 0 | 926,365 | 0 | 1,121,773 |
| Total Cash Disbursements | 1,081,674 | 279,126 | 239,782 | 943,215 | 4,175 | 2,547,972 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (75,481) | 570,533 | 207,244 | (937,181) | (4,175) | (239,060) |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Transfers-In | 368,000 | 46,000 | 0 | 46,000 | 10,000 | 470,000 |
| Transfers-Out | (392,679) | (460,000) | 0 | 0 | 0 | (852,679) |
| Other Uses | (330) | (29,092) | (16,612) | 0 | 0 | (46,034) |
| Total Other Financing Receipts/(Disbursements) | (25,009) | (443,092) | (16,612) | 46,000 | 10,000 | (428,713) |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (100,490) | 127,441 | 190,632 | (891,181) | 5,825 | (667,773) |
| Fund Cash Balances, January 1 | 1,488,644 | 610,675 | 1,046,779 | 1,865,947 | 22,323 | 5,034,368 |
| Fund Cash Balances, December 31 | \$1,388,154 | \$738,116 | \$1,237,411 | \$974,766 | \$28,148 | \$4,366,595 |
| Reserves for Encumbrances, December 31 | \$7,005 | \$0 | \$0 | \$234,946 | \$0 | \$241,951 |

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 BALANCE - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | Enterprise |
|---|--------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$4,825,510 |
| Total Operating Cash Receipts | 4,825,510 |
| Operating Cash Disbursements: | |
| Personal Services | 890,731 |
| Travel Transportation | 3,180 |
| Contractual Services | 3,120,507 |
| Supplies and Materials | 152,618 |
| Capital Outlay | 167,798 |
| Total Operating Cash Disbursements | 4,334,834 |
| Operating Income | 490,676 |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Disbursements | 21,334 |
| Total Non-Operating Cash Disbursements | 21,334 |
| Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers | 469,342 |
| Transfers-In | 382,679 |
| Net Receipts Over Disbursements | 852,021 |
| Fund Cash Balances, January 1 | 5,131,676 |
| Fund Cash Balances, December 31 | \$5,983,697 |
| Reserve for Encumbrances, December 31 | \$9,894 |

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 - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | <u>Governmental Fund Types</u> | | | | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---------------------------|-----------------------------|--------------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | | | |
| Property Taxes and Other Local Taxes | \$459,175 | \$603,994 | \$418,364 | \$0 | \$0 | \$1,481,533 |
| Special Assessments | 0 | 0 | 0 | 170 | 0 | 170 |
| Intergovernmental Receipts | 100,669 | 124,438 | 0 | 0 | 0 | 225,107 |
| Charges for Services | 5,157 | 51,027 | 0 | 0 | 0 | 56,184 |
| Fines, Licenses, and Permits | 10,977 | 843 | 0 | 0 | 0 | 11,820 |
| Earnings on Investments | 356,046 | 0 | 0 | 0 | 0 | 356,046 |
| Miscellaneous | 85,277 | 27,464 | 0 | 0 | 954 | 113,695 |
| Total Cash Receipts | <u>1,017,301</u> | <u>807,766</u> | <u>418,364</u> | <u>170</u> | <u>954</u> | <u>2,244,555</u> |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 582,104 | 600 | 0 | 0 | 0 | 582,704 |
| Public Health Services | 23,065 | 17,242 | 0 | 0 | 0 | 40,307 |
| Leisure Time Activities | 0 | 70,363 | 0 | 0 | 0 | 70,363 |
| Community Environment | 4,767 | 0 | 0 | 6,609 | 0 | 11,376 |
| Basic Utility Services | 20,960 | 0 | 0 | 0 | 0 | 20,960 |
| Transportation | 23,760 | 103,028 | 0 | 0 | 0 | 126,788 |
| General Government | 236,020 | 32,044 | 0 | 0 | 3,512 | 271,576 |
| Debt Service: | | | | | | |
| Principal Payments | 0 | 0 | 91,489 | 0 | 0 | 91,489 |
| Interest Payments | 0 | 0 | 121,241 | 0 | 0 | 121,241 |
| Capital Outlay | 137,304 | 49,426 | 0 | 918,454 | 0 | 1,105,184 |
| Total Cash Disbursements | <u>1,027,980</u> | <u>272,703</u> | <u>212,730</u> | <u>925,063</u> | <u>3,512</u> | <u>2,441,988</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>(10,679)</u> | <u>535,063</u> | <u>205,634</u> | <u>(924,893)</u> | <u>(2,558)</u> | <u>(197,433)</u> |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Proceeds of Loan | 0 | 0 | 0 | 2,108,166 | 0 | 2,108,166 |
| Transfers-In | 368,000 | 46,000 | 0 | 46,000 | 10,000 | 470,000 |
| Transfers-Out | (369,541) | (460,000) | 0 | 0 | 0 | (829,541) |
| Other Uses | 0 | (27,734) | (14,871) | 0 | 0 | (42,605) |
| Total Other Financing Receipts/(Disbursements) | <u>(1,541)</u> | <u>(441,734)</u> | <u>(14,871)</u> | <u>2,154,166</u> | <u>10,000</u> | <u>1,706,020</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(12,220)</u> | <u>93,329</u> | <u>190,763</u> | <u>1,229,273</u> | <u>7,442</u> | <u>1,508,587</u> |
| Fund Cash Balances, January 1 | <u>1,500,864</u> | <u>517,346</u> | <u>856,016</u> | <u>636,674</u> | <u>14,881</u> | <u>3,525,781</u> |
| Fund Cash Balances, December 31 | <u>\$1,488,644</u> | <u>\$610,675</u> | <u>\$1,046,779</u> | <u>\$1,865,947</u> | <u>\$22,323</u> | <u>\$5,034,368</u> |
| Reserves for Encumbrances, December 31 | <u>\$687</u> | <u>\$0</u> | <u>\$0</u> | <u>\$132,813</u> | <u>\$0</u> | <u>\$133,500</u> |

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 BALANCE - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Enterprise |
|---|--------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$4,657,674 |
| Total Operating Cash Receipts | 4,657,674 |
| Operating Cash Disbursements: | |
| Personal Services | 822,099 |
| Travel Transportation | 1,416 |
| Contractual Services | 3,033,505 |
| Supplies and Materials | 123,794 |
| Capital Outlay | 107,006 |
| Total Operating Cash Disbursements | 4,087,820 |
| Operating Income | 569,854 |
| Non-Operating Cash Receipts: | |
| Miscellaneous | 18,374 |
| Other Non-Operating Receipts | 61 |
| Total Non-Operating Cash Receipts | 18,435 |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Disbursements | 43,650 |
| Total Non-Operating Cash Disbursements | 43,650 |
| Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers | 544,639 |
| Transfers-In | 359,541 |
| Net Receipts Over Disbursements | 904,180 |
| Fund Cash Balances, January 1 | 4,227,496 |
| Fund Cash Balances, December 31 | \$5,131,676 |
| Reserve for Encumbrances, December 31 | \$20,286 |

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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Basis of Accounting

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

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

C. Cash

The Village maintains interest bearing checking accounts.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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.

2. 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 license tax money for constructing, maintaining and repairing Village streets.

Parks and Recreation Fund – This fund receives income tax revenue and fees from the swimming pool 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 per Council authorization.

VILLAGE OF CAREY
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The Sewer Debt Service Fund receives revenue from a 1/2 percent income tax to pay off long-term loans obtained for the improvement of the Village's sewer system.

4. Capital Projects Funds

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

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

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

5. Enterprise Funds

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

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

6. 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 nonexpendable 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 in other public areas.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

VILLAGE OF CAREY
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

| | | |
|-----------------|--------------|--------------|
| | 2003 | 2002 |
| Demand Deposits | \$10,350,292 | \$10,166,044 |

Deposits: 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, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,428,050 | \$1,374,193 | (\$53,857) |
| Special Revenue | 875,800 | 895,659 | 19,859 |
| Debt Service | 432,000 | 447,026 | 15,026 |
| Capital Projects | 99,000 | 52,034 | (46,966) |
| Enterprise | 5,267,300 | 5,208,189 | (59,111) |
| Expendable Trust | 11,000 | 10,000 | (1,000) |
| Total | \$8,113,150 | \$7,987,101 | (\$126,049) |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,048,696 | \$1,481,688 | \$567,008 |
| Special Revenue | 961,009 | 768,218 | 192,791 |
| Debt Service | 306,000 | 256,394 | 49,606 |
| Capital Projects | 1,751,181 | 1,178,161 | 573,020 |
| Enterprise | 7,267,686 | 4,366,062 | 2,901,624 |
| Expendable Trust | 10,000 | 4,175 | 5,825 |
| Total | \$12,344,572 | \$8,054,698 | \$4,289,874 |

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,424,850 | \$1,385,301 | (\$39,549) |
| Special Revenue | 910,200 | 853,766 | (56,434) |
| Debt Service | 432,000 | 418,364 | (13,636) |
| Capital Projects | 2,287,500 | 2,154,336 | (133,164) |
| Enterprise | 4,907,500 | 5,035,650 | 128,150 |
| Expendable Trust | 10,100 | 10,954 | 854 |
| Total | \$9,972,150 | \$9,858,371 | (\$95,983) |

**VILLAGE OF CAREY
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,126,250 | \$1,398,208 | \$728,042 |
| Special Revenue | 923,934 | 760,437 | 163,497 |
| Debt Service | 300,000 | 227,601 | 72,399 |
| Capital Projects | 2,644,284 | 1,057,876 | 1,586,408 |
| Enterprise | 6,824,600 | 4,151,756 | 2,672,844 |
| Expendable Trust | 10,100 | 3,512 | 6,588 |
| Total | \$12,829,168 | \$7,599,390 | \$5,229,778 |

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 the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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.

**VILLAGE OF CAREY
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|--------------------|----------------------|
| Ohio Water Development Authority Loan - 1 | \$795,353 | 8.26% |
| Ohio Water Development Authority Loan - 2 | 574,367 | 7.11% |
| Ohio Public Works Loan | 672,083 | 2.00% |
| American Municipal Power - Ohio Loan | 1,500,000 | 1.30% |
| Total | <u>\$3,541,803</u> | |

The Ohio Water Development Authority (OWDA) loans relate to a water and 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 will be repaid in semi-annual loan payments over 25 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village entered into a Project Loan Agreement in 2000 with the Ohio Public Works Commission (OPWC), in which the OPWC was making project expenditures on behalf of the Village for a sanitary sewer overflow elimination project. The project was complete 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 semiannual installments of \$26,813, including interest, over 15 years. The loan is collateralized by sewer receipts.

The American Municipal Power – Ohio (AMP Ohio) loan related to an electric system improvement project that was approved by the 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.

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

| | <u>OWDA Loan - 1</u> | <u>OWDA Loan - 2</u> | <u>OPWC Loan</u> |
|--------------------------|--------------------------|--------------------------|----------------------|
| Year ending December 31: | | | |
| 2004 | \$114,136 | \$87,942 | \$53,626 |
| 2005 | 114,873 | 87,994 | 53,626 |
| 2006 | 115,670 | 88,050 | 53,626 |
| 2007 | 116,533 | 88,110 | 53,626 |
| 2008 | 117,468 | 88,174 | 53,626 |
| 2009-2013 | 542,217 | 353,442 | 268,130 |
| 2014-2018 | | | 241,314 |
| Total | <u>\$1,120,897</u> | <u>\$793,712</u> | <u>\$777,574</u> |

**VILLAGE OF CAREY
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

The Village also entered into a Waterline Extension Project Agreement with the Water and Sewer Commission, whereby the Commission advanced \$90,000 to the Village for an indefinite term, beginning November 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 Rev. 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 made repayment to the Commission the full amount of the assessment.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their gross wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments 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 casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures 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 Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 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 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**VILLAGE OF CAREY
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

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 township.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| <u>Casualty Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$25,288,098 | \$20,174,977 |
| Liabilities | (12,872,985) | (8,550,749) |
| Retained earnings | <u>\$12,415,113</u> | <u>\$11,624,228</u> |

| <u>Property Coverage</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$3,158,813 | \$2,565,408 |
| Liabilities | (792,061) | (655,318) |
| Retained earnings | <u>\$2,366,752</u> | <u>\$1,910,090</u> |

9. SUBSEQUENT EVENTS

On January 19, 2004, the Village entered into a \$104,992 lease purchase agreement for a new street sweeper.

On February 2, 2004, the Village approved to sell 37.422 acres of land to the Carey Exempted Village School District for \$176,616.

On June 21, 2004, the Village entered into an \$81,964 lease purchase agreement for a new snow plow/dump truck.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Carey
Wyandot County
127 North Vance Street
Carey, Ohio 43316

To the Village Council:

We have audited the financial statements of the Village of Carey, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated July 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Village's management in a separate letter dated July 26, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
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www.auditor.state.oh.us

Village of Carey
Wyandot County
Independent Accountants' Report On Compliance And On Internal
Control Required By *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 26, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

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
AUGUST 31, 2004**