

**VILLAGE OF CAREY**  
**WYANDOT COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2005





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Carey, Wyandot County, prepared by Holbrook & Manter, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 12, 2008

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Carey  
Wyandot County

We have audited the accompanying financial statements of the governmental 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, 2005, 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.

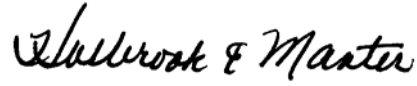
As discussed in Note 2, the Village has prepared these financial statements using the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Carey, Wyandot County, as of December 31, 2005, 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.

As discussed in Note 3, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

The Management's Discussion and Analysis on pages 6 through 12 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

November 12, 2007



**VILLAGE OF CAREY  
WYANDOT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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, 2005, 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 2005 are as follows:

Net assets of governmental activities decreased \$157,227 or 3.75 percent during 2005. Net assets of fiduciary-type funds increased \$3,580 or 11.84 percent during 2005. Net assets of business-type funds increased \$561,015 or 8.53 percent, for a total net asset increase of \$407,368, or 3.77 percent, for 2005.

The Village's general receipts are primarily derived from income tax dollars. These receipts represent 20.50 percent of the total cash received for governmental activities during the year and 7.70 percent of all Village receipts for 2005. A total of \$39,476 was also receipted into the general fund from the sale of land to the Carey Exempted Village School District.

The business-type funds' increase in net assets is attributed in part to revenue received from the sale of land to the Carey Exempted Village School District. A total of \$16,160 was receipted into the water fund and \$48,980 went to the electric fund.

**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.

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, 2005  
(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 2005, 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 police, fire, streets, parks, and cemetery. 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) and Fiduciary.

**VILLAGE OF CAREY  
WYANDOT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 electric operating fund, sewer operating fund, and sewer debt service fund are classified as major funds.

**The Village as a Whole**

Table 1 provides a summary of the Village’s net assets for 2005 compared to 2004, which was prepared on a cash basis.

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Cash Equivalents/ Investments	\$ 4,033,464	\$ 4,190,691	\$ 7,135,960	\$ 6,574,945	\$ 11,169,424	\$ 10,765,636
Total Assets	\$ 4,033,464	\$ 4,190,691	\$ 7,135,960	\$ 6,574,945	\$ 11,169,424	\$ 10,765,636
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$ 1,587,942	\$ 0	\$ 0	\$ 0	\$ 1,587,942	\$ 0
Capital Outlay	138,823	0	0	0	138,823	0
Other Purposes	722,970	92,784	7,135,960	\$ 55,270	7,858,930	148,054
Unrestricted	<u>1,583,729</u>	<u>4,097,907</u>	<u>7,135,960</u>	<u>6,519,675</u>	<u>1,583,729</u>	<u>10,617,582</u>
Total Net Assets	\$ <u>4,033,464</u>	\$ <u>4,190,691</u>	<u>7,135,960</u>	\$ <u>6,574,945</u>	\$ <u>11,169,424</u>	\$ <u>10,765,636</u>

As mentioned previously, net assets of governmental activities decreased \$157,227 or 3.75 percent during 2005. Net assets of fiduciary-type funds increased \$3,580 or 11.84 percent during 2005. Net assets of business-type funds increased \$561,015 or 8.53 percent, for a total net asset increase of \$407,368, or 3.77 percent, for 2005.

Table 2 reflects the changes in net assets in 2005. Since the Government did not prepare financial statements in this format for 2004, 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, 2005  
(UNAUDITED)**

(Table 2)

**Changes in Net Assets**

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 67,354	\$ 4,653,546	\$ 4,720,900
Capital Grants and Contributions	95,308	0	95,308
Total Program Receipts	<u>162,662</u>	<u>4,653,546</u>	<u>4,816,208</u>
General Receipts:			
Property and Other Local Taxes	1,286,461	0	1,286,461
Income Taxes	626,074	0	626,074
Interest	275,609	0	275,609
Miscellaneous	65,822	65,140	130,962
Total General Receipts	<u>2,253,966</u>	<u>65,140</u>	<u>2,319,106</u>
Total Receipts	<u>2,416,628</u>	<u>4,718,686</u>	<u>7,135,314</u>
Disbursements:			
General Government	556,761	0	556,761
Security of Persons and Property:	713,613	0	713,613
Public Health Services	35,655	0	35,655
Leisure Time Activities	142,483	0	142,483
Community Environment	44,845	0	44,845
Basic Utilities	1,699	4,259,504	4,261,203
Transportation	167,005	0	167,005
Capital Outlay	293,713	0	293,713
Principal Retirement	155,616	225,000	380,616
Interest Payments	100,876	34,756	135,632
Total Disbursements	<u>2,212,266</u>	<u>4,519,260</u>	<u>6,731,526</u>
Excess (Deficiency) Before Transfers	204,362	199,426	403,788
Transfers	<u>( 361,589)</u>	<u>361,589</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>( 157,227)</u>	<u>561,015</u>	<u>403,788</u>
Net Assets, Jan. 1, 2005	<u>4,190,691</u>	<u>6,574,945</u>	<u>10,765,636</u>
Net Assets, Dec. 31, 2005	<u>\$ 4,033,464</u>	<u>\$ 7,135,960</u>	<u>\$ 11,169,424</u>

**VILLAGE OF CAREY  
 WYANDOT COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (UNAUDITED)**

Program receipts represent only 4.66 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 fire service as provided by contract.

General receipts represent 95.34 percent of the Village's total receipts, and of this amount, over 46.57 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (10.68 percent). Other receipts are transfers (30.16 percent) and other 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; 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.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village of Carey. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for approximately 27 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 17 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of total cost of services and the net cost has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 3)

**Governmental Activities**

	Total Cost Of Services	Net Cost of Services	
General Government	\$ 40,350	\$ ( 36,152)	
Public Safety	323	( 323)	
Public Works	125,336	15,094	
Health	3,347	( 3,347)	
Capital Outlay	<u>6,830</u>	<u>( 6,830)</u>	
 Total Expenses	 <u>\$ 176,186</u>	 <u>\$ ( 31,558)</u>	

**VILLAGE OF CAREY  
WYANDOT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

The dependence upon property and income tax receipts is apparent as over 45 percent of governmental activities are supported through these general receipts.

***Business-type Activities***

Business type activities include the water, sewer, storm sewer and electric funds. These major funds had program cash receipts of \$4,653,546 and cash disbursements of \$4,519,260.

**The Village's Funds**

Total governmental funds had receipts of \$3,056,628 and disbursements of \$3,213,855. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$157,227 as the result of increased costs for salaries and benefits and not achieving anticipated growth in income and property tax receipts.

General Fund receipts were less than disbursements by \$157,227 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

**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.

During 2005, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,561,993 while actual disbursements were \$1,234,812.

**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, 2005, the Village's outstanding debt included \$2,868,771 in long-term debt comprised of loans from OWDA, OPWC, and AMP-Ohio for various capital improvement projects, and \$96,061 in capital leases for equipment. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

**VILLAGE OF CAREY  
WYANDOT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on local taxes and has very little industry to support the tax base. Several industries have reduced their labor force and more lay-offs are anticipated in the coming year. In addition, the Village will be experiencing a sharp rise in the cost of power it purchases from AEP. To offset this added expense, it will be necessary for the Village to impose an increase in the rates it charges its electric customers. This increase will be implemented in phases during the coming year.

**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.

**VILLAGE OF CAREY**  
**WYANDOT COUNTY**  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS:-</b>			
Equity in pooled cash and cash equivalents	\$ 4,033,464	\$ 7,135,960	\$ 11,169,424
<b>Total assets</b>	<u>\$ 4,033,464</u>	<u>\$ 7,135,960</u>	<u>\$ 11,169,424</u>
<b>NET ASSETS:-</b>			
Restricted for:			
Capital outlay	\$ 543,343	\$ 0	\$ 543,343
Debt retirement	1,587,942	0	1,587,942
Other purposes	153,540	0	153,540
Unrestricted	<u>1,748,639</u>	<u>7,135,960</u>	<u>8,884,599</u>
<b>Total net assets</b>	<u>\$ 4,033,464</u>	<u>\$ 7,135,960</u>	<u>\$ 11,169,424</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, 2005

	<b>General</b>	<b>Income Tax Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,117,891	\$ 465,838	\$ 1,587,942	\$ 861,793	\$ 4,033,464
<b>Total Assets</b>	<b>\$ 1,117,891</b>	<b>\$ 465,838</b>	<b>\$ 1,587,942</b>	<b>\$ 861,793</b>	<b>\$ 4,033,464</b>
<b>Fund Balances</b>					
Reserved:					
Reserved for encumbrances	\$ 7,311	\$ 0	\$ 0	\$ 18,245	\$ 25,556
Unreserved and reported in:					
General Fund	1,110,580	0	0	0	1,110,580
Special Revenue Funds	0	465,838	0	317,793	783,631
Debt Service Funds	0	0	1,587,942	0	1,587,942
Capital Project Funds	0	0	0	525,755	525,755
<b>Total fund balances</b>	<b>\$ 1,117,891</b>	<b>\$ 465,838</b>	<b>\$ 1,587,942</b>	<b>\$ 861,793</b>	<b>\$ 4,033,464</b>

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, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
<b>ASSETS:-</b>					
Equity in pooled cash and cash equivalents	\$ 941,409	\$ 481,076	\$ 5,166,405	\$ 547,070	\$ 7,135,960
<b>Total assets</b>	<u>\$ 941,409</u>	<u>\$ 481,076</u>	<u>\$ 5,166,405</u>	<u>\$ 547,070</u>	<u>\$ 7,135,960</u>
<b>NET ASSETS:-</b>					
Unrestricted	\$ 941,409	\$ 481,076	\$ 5,166,405	\$ 547,070	\$ 7,135,960
<b>Total net assets</b>	<u>\$ 941,409</u>	<u>\$ 481,076</u>	<u>\$ 5,166,405</u>	<u>\$ 547,070</u>	<u>\$ 7,135,960</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, 2005

	Program Cash				Net (Disbursements) Receipts and		
	Cash Receipts				Changes in Net Assets		
	Cash	Charges for	Operating	Capital Grants	Governmental	Business-Type	Total
	Disbursements	Services	Grants and	and	Activities	Activities	
		and Sales	Contributions	Contributions			
<b>GOVERNMENTAL ACTIVITIES:-</b>							
Leisure time activities	\$ 142,483	\$ 38,833	\$ 0	\$ 0	\$ ( 103,650)	\$ 0	\$ ( 103,650)
Community environment	44,845	0	0	0	( 44,845)	0	( 44,845)
Basic utility services	1,699	0	0	0	( 1,699)	0	( 1,699)
Transportation	167,005	0	0	0	( 167,005)	0	( 167,005)
General government	556,761	23,475	0	0	( 533,286)	0	( 533,286)
Public safety	713,613	5,046	0	0	( 708,567)	0	( 708,567)
Health	35,655	0	0	0	( 35,655)	0	( 35,655)
Debt Service:	256,492	0	0	0	( 256,492)	0	( 256,492)
Capital outlay	293,713	0	0	95,038	( 198,675)	0	( 198,675)
Transfers - out	1,001,589	0	0	0	( 1,001,589)	0	( 1,001,589)
<b>Total governmental activities</b>	<u>\$ 3,213,855</u>	<u>\$ 67,354</u>	<u>\$ 0</u>	<u>\$ 95,038</u>	<u>\$ ( 3,051,463)</u>	<u>\$ 0</u>	<u>\$ ( 3,051,463)</u>
<b>PROPRIETARY ACTIVITIES:-</b>							
Basic utility services	\$ 4,519,260	\$ 4,653,546	\$ 0	\$ 0	\$ 0	\$ 134,286	\$ 134,286
<b>Total business-type activities</b>	<u>\$ 4,519,260</u>	<u>\$ 4,653,546</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 134,286</u>	<u>\$ 134,286</u>
<b>Total</b>	<u>\$ 7,733,115</u>	<u>\$ 4,720,900</u>	<u>\$ 0</u>	<u>\$ 95,038</u>	<u>\$ ( 3,051,463)</u>	<u>\$ 134,286</u>	<u>\$ ( 2,917,177)</u>
<b>GENERAL RECEIPTS:-</b>							
Property and other local taxes					\$ 1,546,532	\$ 0	\$ 1,546,532
Intergovernmental					315,648	0	315,648
Special assessments					39,175	0	39,175
Fines, licenses, and permits					11,180	0	11,180
Earnings on investments					275,609	0	275,609
Miscellaneous					25,032	0	25,032
Transfers in					640,000	361,589	1,001,589
Sale of fixed assets					41,060	65,140	106,200
<b>Total general receipts</b>					2,894,236	426,729	3,320,965
Change in net assets					( 157,227)	561,015	403,788
Net assets beginning of year					4,190,691	6,574,945	10,765,636
Net assets at end of year					<u>\$ 4,033,464</u>	<u>\$ 7,135,960</u>	<u>\$ 11,169,424</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, 2005

		<b>Income</b>		<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>Tax Fund</b>	<b>Debt Service Fund</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>RECEIPTS:-</b>					
Property and other local taxes	\$ 471,081	\$ 626,074	\$ 449,377	\$ 0	\$ 1,546,532
Intergovernmental	145,989	1,308	654	262,735	410,686
Special assessments	0	0	0	39,175	39,175
Charges for services	5,046	0	0	35,666	40,712
Fines, licenses, and permits	9,915	0	0	24,765	34,680
Earnings on investments	269,097	0	0	6,512	275,609
Miscellaneous	25,032	0	0	3,142	28,174
<b>Total receipts</b>	<b>926,160</b>	<b>627,382</b>	<b>450,031</b>	<b>371,995</b>	<b>2,375,568</b>
<b>DISBURSEMENTS:-</b>					
Current:-					
Leisure time activities	0	0	0	142,483	142,483
Community environment	44,845	0	0	0	44,845
Basic utility services	1,699	0	0	0	1,699
Transportation	12,855	0	0	154,150	167,005
General government	450,678	57,737	15,035	33,311	556,761
Public safety	713,613	0	0	0	713,613
Health	11,122	0	0	24,533	35,655
Debt Service:					
Principal payments	0	0	155,616	0	155,616
Interest payments	0	0	100,876	0	100,876
Capital outlay	0	0	0	293,713	293,713
<b>Total disbursements</b>	<b>1,234,812</b>	<b>57,737</b>	<b>271,527</b>	<b>648,190</b>	<b>2,212,266</b>
<b>OTHER FINANCING SOURCES (USES):-</b>					
Transfers - in	512,000	0	0	128,000	640,000
Transfers - out	( 361,589)	( 640,000)	0	0	( 1,001,589)
Sale of fixed assets	41,060	0	0	0	41,060
<b>Total other financing sources (uses)</b>	<b>191,471</b>	<b>( 640,000)</b>	<b>0</b>	<b>128,000</b>	<b>( 320,529)</b>
Net change in fund balances	( 117,181)	( 70,355)	178,504	( 148,195)	( 157,227)
Fund balances beginning of year	1,235,072	536,193	1,409,438	1,009,988	4,190,691
<b>Fund balances end of year</b>	<b>\$ 1,117,891</b>	<b>\$ 465,838</b>	<b>\$ 1,587,942</b>	<b>\$ 861,793</b>	<b>\$ 4,033,464</b>

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, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
<b>RECEIPTS:-</b>					
Tap fees	\$ 4,017	\$ 1,810	\$ 6,399	\$ 0	\$ 12,226
Bulk sales	336,868	444,920	3,736,882	0	4,518,670
Deposits	0	0	0	17,212	17,212
Other - utilities	0	0	1	66,559	66,560
Other - charges for services	106	125	38,647	0	38,878
<b>Total receipts</b>	<u>340,991</u>	<u>446,855</u>	<u>3,781,929</u>	<u>83,771</u>	<u>4,653,546</u>
<b>DISBURSEMENTS:-</b>					
Current:-					
Administration - electric	0	0	156,351	0	156,351
Billing - electric	0	0	50,024	0	50,024
Generation/purchase - electric	0	0	2,826,834	0	2,826,834
Distribution - electric	0	0	479,322	0	479,322
Other electric	0	0	10,257	0	10,257
Administration - water	56,414	0	0	0	56,414
Billing - water	15,049	0	0	0	15,049
Supply/Purchase - water	20,131	0	0	0	20,131
Other water	197,225	0	0	0	197,225
Administration - sanitary sewers and sewage	0	21,851	0	0	21,851
Billing - sanitary sewers and sewage	0	15,409	0	0	15,409
Pumping - sanitary sewers and sewage	0	116,101	0	0	116,101
Other sanitary sewers and sewage	0	250,277	0	0	250,277
Other storm sewers and drains	0	0	0	29,404	29,404
Other basic utility service	0	0	0	14,855	14,855
Capital outlay	0	0	0	0	0
Debt Service:					
Principal payments	0	0	225,000	0	225,000
Interest payments	0	0	34,756	0	34,756
<b>Total disbursements</b>	<u>288,819</u>	<u>403,638</u>	<u>3,782,544</u>	<u>44,259</u>	<u>4,519,260</u>
<b>NON-OPERATING RECEIPTS:-</b>					
Transfers - in	0	0	361,589	0	361,589
Sale of fixed assets	16,160	0	48,980	0	65,140
<b>Total other financing sources (uses)</b>	<u>16,160</u>	<u>0</u>	<u>410,569</u>	<u>0</u>	<u>426,729</u>
Net change in fund balances	68,332	43,217	409,954	39,512	561,015
Fund balances beginning of year	<u>873,077</u>	<u>437,859</u>	<u>4,756,451</u>	<u>507,558</u>	<u>6,574,945</u>
<b>Fund balances end of year</b>	<u>\$ 941,409</u>	<u>\$ 481,076</u>	<u>\$ 5,166,405</u>	<u>\$ 547,070</u>	<u>\$ 7,135,960</u>

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, 2005

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>RECEIPTS:-</b>				
Property and other local taxes	\$ 108,000	\$ 108,000	\$ 471,081	\$ 363,081
Intergovernmental	538,000	538,000	145,989	( 392,011)
Charges for services	5,200	5,200	5,046	( 154)
Fines, licenses, and permits	14,000	14,000	9,915	( 4,085)
Earning on investments	220,700	220,700	269,097	48,397
Miscellaneous	47,000	62,285	25,032	( 37,253)
<b>Total receipts</b>	<b>932,900</b>	<b>948,185</b>	<b>926,160</b>	<b>( 22,025)</b>
<b>DISBURSEMENTS:-</b>				
Current:-				
Community environment	67,529	67,529	44,845	22,684
Basic utility services	3,000	3,000	1,699	1,301
Transportation	92,000	92,000	12,855	79,145
General government	549,031	560,319	450,678	109,641
Public safety	824,074	824,145	713,613	110,532
Health	15,000	15,000	11,122	3,878
<b>Total disbursements</b>	<b>1,550,634</b>	<b>1,561,993</b>	<b>1,234,812</b>	<b>327,181</b>
<b>OTHER FINANCING SOURCES (USES):-</b>				
Municipal income tax 80%	512,000	512,000	512,000	0
Sale of assets	39,000	39,000	41,060	2,060
Contingency	( 350,000)	( 365,285)	15,000	380,285
KWH Tax	( 440,000)	( 440,000)	( 361,589)	78,411
Parks capital improvement	( 40,000)	( 40,000)	0	40,000
Tree commission	( 15,000)	( 15,000)	( 15,000)	0
<b>Total other financing sources</b>	<b>( 294,000)</b>	<b>( 309,285)</b>	<b>191,471</b>	<b>500,756</b>
Net change in fund balance	( 911,734)	( 923,093)	( 117,181)	805,912
Fund balance beginning of year	1,235,072	1,235,072	1,235,072	0
Prior year encumbrances appropriated	0	0	0	0
<b>Fund balance end of year</b>	<b>\$ 323,338</b>	<b>\$ 311,979</b>	<b>\$ 1,117,891</b>	<b>\$ 805,912</b>

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, 2005

	<u>Budgeted Amounts</u>			<b>(Optional) Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>RECEIPTS:-</b>				
Property and other local taxes	\$ 640,000	\$ 640,000	\$ 626,074	\$ ( 13,926)
Intergovernmental	700	700	1,308	608
<b>Total receipts</b>	<u>640,700</u>	<u>640,700</u>	<u>627,382</u>	<u>( 13,318)</u>
<b>DISBURSEMENTS:-</b>				
General government	95,565	95,565	57,737	37,828
<b>Total disbursements</b>	<u>95,565</u>	<u>95,565</u>	<u>57,737</u>	<u>37,828</u>
<b>OTHER FINANCING SOURCES (USES):-</b>				
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>
<b>Total other financing sources</b>	<u>( 640,000)</u>	<u>( 640,000)</u>	<u>( 640,000)</u>	<u>0</u>
Net change in fund balance	( 94,865)	( 94,865)	( 70,355)	24,510
Fund balance beginning of year	536,193	536,193	536,193	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balance end of year</b>	<u>\$ 441,328</u>	<u>\$ 441,328</u>	<u>\$ 465,838</u>	<u>\$ 24,510</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CAREY**  
**WYANDOT COUNTY**  
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND  
AS OF DECEMBER 31, 2005

	<b>Tree Commission Fund</b>
<b>ASSETS:-</b>	
Equity in pooled cash and cash equivalents	\$ <u>33,828</u>
<b>Total assets</b>	\$ <u><u>33,828</u></u>
<b>NET ASSETS:-</b>	
<b>Unrestricted Net Assets</b>	
Tree Commission	\$ 33,828
<b>Total unrestricted net assets</b>	<u>33,828</u>
<b>Total net assets</b>	\$ <u><u>33,828</u></u>

See accompanying notes to the basic financial statements



**VILLAGE OF CAREY**  
**WYANDOT COUNTY**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Tree Commission Fund</b>
<b>ADDITIONS:-</b>	
Other receipts	\$ <u>15,000</u>
<b>Total additions</b>	15,000
<b>DEDUCTIONS:-</b>	
General government	<u>11,420</u>
<b>Total deductions</b>	<u>11,420</u>
Change in Net Assets	3,580
Net Assets - Beginning of Year	<u>30,248</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 33,828</u></u>

See accompanying notes to the basic financial statements

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

**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.

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.

The statement of net assets presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental 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 activity is self-financing on a cash basis or draws from the Village's general receipts.

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

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

**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 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.

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/Sewer Debt Service** -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. An additional ½ percent income tax is authorized, by council action, to fund the sewer debt retirement fund.

**Sewer Debt Service** -The Sewer Debt Service Fund is a debt service fund in which a one-half percent of income tax is used to fund debt service obligations.

**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.

**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.

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

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

**Basis of Accounting** - For fiscal year 2005, the Village has implemented the provisions of Governmental Auditing Standards Board (GASB) Number 34 for financial reporting on a modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is actually received rather than earned, and disbursements are recorded in the Village's financial records and reported in the financial statements when cash is actually paid rather than when a liability is incurred.

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 expenses and liabilities) 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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

During 2005, the Village invested in non-negotiable certificates of deposit, U.S. Government Securities, and a money market fund. The non-negotiable certificates of deposit and the U.S. Government Securities are reported at cost. The Village's money market fund investment is recorded at the amount reported by Commercial Savings Bank at December 31, 2005.

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 2005 was \$269,097, with an additional \$6,512 credited to other Village funds.

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

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

**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.

**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 10 and 11, 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 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. During fiscal year 2005, the Village experienced two extraordinary items – a major snowstorm and an ice storm. The Village applied for assistance from the Federal Emergency Management Agency and the related state agency. A total of \$13,503 was received in assistance to cover the costs associated with the snowstorm, and \$97,090 was received to cover the costs associated with the ice storm. These receipts covered approximately 87 percent of the costs incurred by the Village relating to the storms. Separate funds were set up within the Village's budgetary records to account for the receipt and disbursement of funds relating to the two extraordinary events.

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

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

During 2005, the Village also received \$104,616 from the sale of land to the Carey Exempted Village School District. Total purchase price of the land was \$179,616, with \$75,000 of that amount paid by the school district to the village in 2004. Proceeds from the sale, which was initiated in February 2004, were distributed among the general, water, and electric funds based on the formula used when the land was originally purchased by the Village in March 1995.

**NOTE 3 - CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY:-**

Last year, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified-cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-**

The Village reports no deficit fund balances.

**NOTE 5 - 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) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$49,342, which included \$7,311 for the general fund, \$18,245 for the capital improvement fund, and \$23,786 for the electric fund. There were no outstanding advances at year end.

**NOTE 6 - 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 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.

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

**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

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.

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.

**VILLAGE OF CAREY  
WYANDOT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

At the end of 2005, the bank balance was \$6,500,287. Of the bank balance of \$6,500,287, \$200,000.00 was covered by federal depository insurance and \$6,300,287 was collateralized by securities specifically pledged or pooled by the financial institution.

**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, 2005, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
U.S. Government Agencies	\$ 497,970	02/28/2006
U.S. Government Agencies	496,095	05/26/2006
U.S. Government Agencies	494,220	08/15/2006
U.S. Government Agencies	493,750	12/28/2006
U.S. Government Agencies	496,405	02/16/2007
U.S. Government Agencies	496,565	05/08/2007
U.S. Government Agencies	496,875	08/23/2007
U.S. Government Agencies	498,625	11/19/2007
Money Market Mutual Fund	<u>750,000</u>	06/15/2006
Total Portfolio	<u>\$ 4,720,505</u>	

Fifth Third Securities, Inc., which manages the U.S. Government Agencies for the Village, carries a rating of AA2 by Moody's and is insured by SPIC and CAPCO Excess. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

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."



**VILLAGE OF CAREY  
WYANDOT COUNTY  
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**NOTE 7 - 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.

**NOTE 8 - 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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, 2005, 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 2005 property tax receipts were based are as follows:

<b>Real Property:-</b>	
Residential	\$ 34,910,550
Agriculture	47,240
Commercial/ Industrial/ Mineral	8,115,460
<b>Public Utility Property:-</b>	
Real	25,960
Personal	691,110
Tangible personal property	<u>13,388,000</u>
<b>Total assessed value</b>	<u><u>\$ 57,178,320</u></u>

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

**NOTE 9 - 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.

If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000. Local political subdivisions can elect additional coverage, up to a total limit of \$12,000,000, from the General Reinsurance Corporation.

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

The aforementioned casualty and property reinsurance agreements 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 2005:

<b><u>Casualty Coverage</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets	\$ 29,719,675	\$ 27,437,169
Liabilities	<u>( 15,994,168)</u>	<u>( 13,880,038)</u>
<b>Retained earnings</b>	<b><u>\$ 13,725,507</u></b>	<b><u>\$ 13,557,131</u></b>
<b><u>Property Coverage</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets	\$ 4,443,332	\$ 3,648,272
Liabilities	<u>( 1,068,246)</u>	<u>( 540,073)</u>
<b>Retained earnings</b>	<b><u>\$ 3,375,086</u></b>	<b><u>\$ 3,108,199</u></b>

**NOTE 10 - 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.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLAN:-** (continued)

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, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 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 2005 was 13.55 percent, with 9.55 percent the portion used to fund pension obligations for 2005. For employees in the law enforcement or public safety classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations (9.55 percent) to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$98,681, \$94,883 and \$92,545, respectively. The full amount has been contributed for 2005, 2004 and 2003.

**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 (of which 11.75 percent funds pension obligations and 7.75 percent is applied to the post-employment health care program) and 16.25 for firefighters. Contributions are authorized by State statute. The Village's required contributions (11.75 percent) to fund pension benefits for the years ended December 31, 2005, 2004, and 2003 were \$26,862, \$25,856, and \$24,181, respectively. The full amount has been contributed for 2005, 2004 and 2003.

**NOTE 11 - 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement), 4.0 percent of covered payroll was the portion that was used to fund health care.

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

**NOTE 11 - POST EMPLOYMENT BENEFITS:-** (continued)

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, 2004, include a rate of return on investments of 8.00 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and four 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.

As of December 31, 2005, the number of active contributing participants in the traditional and combined plans was 381,413. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively. The Village's actual contributions (four percent) that were used to fund post-employment benefits were \$41,292 in 2005 and \$39,703 in 2004.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP). The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**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 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, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2004 and 2005. 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 2002, all retirees and survivors have monthly health care contributions.

The Village's actual contributions (7.75 percent) that were used to fund post-employment health care benefits for police were \$17,685 in 2005 and \$17,023 in 2004. Combined employer and member contributions to the OP&FPF for the year ending December 31, 2005, were \$173,776,807 and \$91,080,197 respectively, for police, and \$83,248,202 and \$76,741,953, respectively, for firefighters. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,812 for police and 10,528 for firefighters.

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

**NOTE 12 - DEBT:-**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>	<u>Final Payment</u>
Ohio Water Development Authority Loan #1	\$ 673,602	7.00%	07/01/2013
Ohio Water Development Authority Loan #2	475,502	7.00%	01/01/2013
Ohio Public Works Commission Loan	590,502	2.00%	07/01/2018
American Municipal Power-Ohio Loan	<u>1,050,000</u>	2.00%	07/31/2018
TOTAL	<u>\$ 2,789,606</u>		

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

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

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, 2005 was 2.00%.

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>	<u>AMP-Ohio Loan</u>
Year ending December 31:				
2006	\$ 122,000	\$ 88,000	\$ 53,626	\$ 245,000
2007	128,875	88,080	53,626	245,000
2008	134,759	88,142	53,626	245,000
2009	141,130	88,209	53,626	245,000
2010	148,026	88,281	53,626	245,000
2011-2015	<u>431,109</u>	<u>177,063</u>	<u>402,191</u>	<u>170,000</u>
TOTAL	1,105,899	617,775	670,321	1,150,000
Less, interest	<u>432,297</u>	<u>142,273</u>	<u>79,819</u>	<u>20,000</u>
	<u>\$ 673,602</u>	<u>\$ 475,502</u>	<u>\$ 590,502</u>	<u>\$ 1,050,000</u>

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

**NOTE 12 - DEBT:-** (continued)

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

**NOTE 13 - 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

<u>Year</u>	<u>Amount</u>
2006	\$ 51,237
2007	22,412
2008	<u>22,412</u>
TOTAL	<u>\$ 96,061</u>

On June 21, 2004, a lease purchase agreement was entered into with Harco Leasing Company, Inc., for a new International snow plow/dump truck. Three annual payments of \$28,825 are due November 1 of 2004, 2005, and 2006. Total price of the equipment is \$81,964 plus 5.61 percent interest for a total of \$86,476.

**NOTE 14 - INTER-FUND TRANSFERS:-**

Inter-fund transfers for the year ending December 31, 2005, were as follows:

From General Fund to:	Electric Fund (KWH Tax)	\$	361,589
From Income Tax Fund to:	General Fund		512,000
	Parks/Recreation Fund		64,000
	Capital Improvement Fund		<u>64,000</u>
		\$	<u>1,001,589</u>

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%). Council also authorized the transfer of \$15,000 from the General Fund to the Tree Commission.

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

**NOTE 15 – 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 2005:

Aerial mapping and water system inventory	\$13,695
Storm water mater plan	14,691
Altitude valve installation project	15,256
Altitude valve construction oversight	<u>2,006</u>
Total	<u>\$45,648</u>

**NOTE 16 - SUBSEQUENT EVENTS:-**

With a reduction in workforce at Porcelain Products Company (from 120 to 75 beginning in 2002 and down to 30 by the beginning of 2004), income tax receipts showed an approximate \$14,000 slump in 2004. The eventual relocation of Porcelain Products Company in 2005 would have registered an additional 15 percent reduction in income taxes had it not been partially offset by an increase in workforce at The Budd Company during the same time period.

Budd Company, being the Village's largest industry (second only to National Lime and Stone Co.), continues to be strong, despite being directly tied to the lagging automotive industry. The Village anticipates some reduced activity, potential layoffs, or other financial response in the next 12-18 months.

Generally, the Village is fortunate to have healthy carry-over balances in nearly all its funds.

Some of the major projects recently completed, in progress, or slated for the coming months that will potentially impact our financial health include:

- 1) Private development of a new residential subdivision to be known as Spring Lake, which will provide about 90 building lots. This will also require improvements in infrastructure as it progresses.
- 2) The end of a very favorable seven-year power supply contract and subsequent purchase power agreements began in January 2007. The scheduled rate tariffs required a 50 percent upward adjustment to meet revenue requirements for the utility to remain healthy.
- 3) The Carey VIP Streetscape Project is a \$3.6 million multi-year commitment utilizing \$2.135 million in Ohio Department of Transportation Roadside Enhancement Funds. The local share for this project will still be over the \$1 million mark during the next three years.
- 4) The \$2.1 million in improvements and upgrades to the wastewater treatment plant began in January, funded by a one percent loan from the Ohio Water Development Authority, the banking arm of the Ohio Environmental Protection Agency, Division of Environmental Finance Administration. The repayment of that loan will come directly from a ½ percent income tax earmarked for such projects through council authorization.
- 5) Minor projects completed were the installation of an ADA-compliant wheelchair platform lift for village hall, once again allowing use of the traditional second-floor council chambers, and completion of an altitude valve to allow use of previously inaccessible water storage capacity. These two projects totaled just under \$100,000.



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Village Council  
Village of Carey  
Wyandot County

We have audited the accompanying financial statements of Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated November 12, 2007, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider 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 November 12, 2007.

**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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

*Holbrook & Manter*

Certified Public Accountants

November 12, 2007





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF CAREY**

**WYANDOT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 24, 2008**