

**VILLAGE OF CAREY  
WYANDOT COUNTY, OHIO**

*FINANCIAL STATEMENTS*  
DECEMBER 31, 2010

**WOLF, ROGERS, DICKEY & CO.**  
*Certified Public Accountants*





# Dave Yost • 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 Wolf, Rogers, Dickey & Co., for the audit period January 1, 2010 through December 31, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 31, 2012

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Village of Carey  
Wyandot County, Ohio

For the Year Ended  
December 31, 2010

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# Wolf, Rogers, Dickey & Co.

Certified Public Accountants

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## **Independent Auditors' Report**

Village of Carey  
Wyandot County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 accompanying financial statements and notes follow the 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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio as of December 31, 2010, and the respective changes in cash basis financial position thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2012, 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* and should be read in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However, these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

*Wolf, Rogers, Dickey & Co.*  
Certified Public Accountants

July 9, 2012

**Village of Carey, Wyandot County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited**

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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, 2010, within the limitations of the Village's 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 2010 are as follows:

In total, net assets increased \$257,553. Net assets of governmental activities increased \$176,600, which represents an 18 percent increase from 2009. Net assets of business-type activities increased \$80,953 or 1 percent from 2009.

The Village's general receipts accounted for \$1,908,198 in revenue for 21 percent of all revenues. Program specific revenues in the form of charges of services and sales and grants accounted for \$7,299,908 or 79 percent of total revenues of \$9,173,791.

Total program expenses were \$8,950,553; \$1,466,762 in governmental activities and \$7,483,791 in business-type activities.

Outstanding debt decreased from \$3,432,072 to \$3,120,845 through payment of debt.

**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 cash basis of accounting.

**Report Components**

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

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

The notes to the financial statements are an integral part of the government-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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**Village of Carey, Wyandot County, Ohio**  
**Management's Discussion and Analysis, continued**  
**For the Year Ended December 31, 2010**  
**Unaudited**

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**Basis of Accounting, continued**

As a result of using the 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 cash basis of accounting.

**Reporting the Village as a Whole**

*Statement of Net Assets and the Statement of Activities*

*The Statement of Net Assets and the Statement of Activities* reflect how the Government did financially during 2010, within the limitations of 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.

The statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the 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 the 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 – The Village's basic services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of goods or services provided. The Village's water, sewer and electric funds are reported as business-type activities.

**Reporting the Village's Most Significant Funds**

*Fund Financial Statements*

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 and proprietary.

**Village of Carey, Wyandot County, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended December 31, 2010  
Unaudited**

**Reporting the Village's Most Significant Funds, continued**

*Fund Financial Statements, continued*

Governmental Funds – Many of the Village's activities are reported in 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 nonmajor 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 fund is the General Fund. The programs reported in the 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 the 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 enterprise fund has three major funds, the Water, Sewer and Electric Funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2010 compared to 2009 on a cash basis:

(Table 1)  
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>						
Cash and cash equivalents	\$ <u>1,160,149</u>	<u>983,549</u>	<u>6,644,905</u>	<u>6,563,952</u>	<u>7,805,054</u>	<u>7,547,501</u>
<b>Net Assets</b>						
Restricted	777,639	740,790	-	-	777,639	740,790
Unrestricted	<u>382,510</u>	<u>242,759</u>	<u>6,644,905</u>	<u>6,563,952</u>	<u>7,027,415</u>	<u>6,806,711</u>
Total net assets	\$ <u>1,160,149</u>	<u>983,549</u>	<u>6,644,905</u>	<u>6,563,952</u>	<u>7,805,054</u>	<u>7,547,501</u>

As mentioned previously, net assets of governmental activities increased \$176,600 or 18 percent during 2010. The primary reasons contributing to this increase are a reduction of costs for salaries and benefits and an increase in sales and income tax and intergovernmental receipts.

Table 2 reflects the changes in net assets on a cash basis in 2010 and 2009 for governmental activities, business-type activities and total primary government.

**Village of Carey, Wyandot County, Ohio**  
**Management's Discussion and Analysis, continued**  
**For the Year Ended December 31, 2010**  
**Unaudited**

**The Village as a Whole, continued**

(Table 2)  
**Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Receipts</b>						
<i>Program Receipts</i>						
Charges for services and sales	\$ 86,447	123,541	6,865,219	6,545,176	6,951,666	6,668,717
Operating grants, contributions and interest	216,099	206,662	565	250,959	216,664	457,621
Capital grants and contributions	<u>10,000</u>	<u>-</u>	<u>121,578</u>	<u>-</u>	<u>131,578</u>	<u>-</u>
Total program receipts	<u>312,546</u>	<u>330,203</u>	<u>6,987,362</u>	<u>6,796,135</u>	<u>7,299,908</u>	<u>7,126,338</u>
<i>General Receipts</i>						
Property taxes	80,358	80,940	-	-	80,358	80,940
Income taxes	650,674	560,567	446,926	409,935	1,097,600	970,502
Other local taxes	289,781	263,346	-	-	289,781	263,346
OWDA loan issued	-	-	107,311	-	107,311	-
Grants and entitlements	219,955	157,828	-	-	219,955	157,828
Investment earnings	53,820	79,617	-	-	53,820	79,617
Miscellaneous	<u>59,373</u>	<u>54,088</u>	<u>-</u>	<u>-</u>	<u>59,373</u>	<u>54,088</u>
Total general receipts	<u>1,353,961</u>	<u>1,196,386</u>	<u>554,237</u>	<u>409,935</u>	<u>1,908,198</u>	<u>1,606,321</u>
Total receipts	<u>1,666,507</u>	<u>1,526,589</u>	<u>7,541,599</u>	<u>7,206,070</u>	<u>9,208,106</u>	<u>8,732,659</u>
<b>Disbursements</b>						
General government	259,463	432,997	-	-	259,463	432,997
Security of persons and property	802,727	822,557	-	-	802,727	822,557
Public health	21,679	20,589	-	-	21,679	20,589
Leisure time activities	64,138	113,542	-	-	64,138	113,542
Community and economic development	12,658	40,199	-	-	12,658	40,199
Basic utilities	4,555	26,187	-	-	4,555	26,187
Transportation	190,203	112,683	-	-	190,203	112,683
Capital outlay	44,733	67,202	-	-	44,733	67,202
Principal retirement	50,000	45,000	-	-	50,000	45,000
Interest and fiscal charges	16,606	18,293	-	-	16,606	18,293
Electric	-	-	6,010,901	6,538,740	6,010,901	6,538,740
Sewer	-	-	777,491	812,792	777,491	812,792
Storm water utility	-	-	269,270	83,807	269,270	83,807
Utility deposit	-	-	21,279	27,849	21,279	27,849
Water	<u>-</u>	<u>-</u>	<u>404,850</u>	<u>660,347</u>	<u>404,850</u>	<u>660,347</u>
Total disbursements	<u>1,466,762</u>	<u>1,699,249</u>	<u>7,483,791</u>	<u>8,123,535</u>	<u>8,950,553</u>	<u>9,822,784</u>
Excess (deficiency) before transfers	199,745	(172,660)	57,808	(917,465)	257,553	(1,090,125)
Transfers	<u>(23,145)</u>	<u>(269,346)</u>	<u>23,145</u>	<u>269,346</u>	<u>-</u>	<u>-</u>
Change in net assets	\$ <u>176,600</u>	<u>(442,006)</u>	<u>80,953</u>	<u>(648,119)</u>	<u>257,553</u>	<u>(1,090,125)</u>

**Village of Carey, Wyandot County, Ohio**  
**Management's Discussion and Analysis, continued**  
**For the Year Ended December 31, 2010**  
**Unaudited**

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**Governmental Activities**

Program receipts represent only 19 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 nearby governments for police services provided under contract.

General receipts represent 81 percent of the Village's total receipts, and of this amount 76 percent are taxes. State and federal grants and entitlements make up 17 percent of the Village's general receipts. Other receipts such as investment earnings make up a small percentage (7 percent) of general receipts.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Government 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 to 18 percent of General Fund unrestricted receipts.

Security of persons and property are the costs of police and fire protection which represents the largest expense of Government Activities. The expense of \$802,727 represents 55 percent of the total expenses. Public health services is the health department and leisure time activities are the costs of maintaining the parks and playing fields. These areas had expenses of \$85,817 in 2010 equaling 6 percent of the total governmental service expenses.

**Business-type Activities**

Business-type activities include water, sewer and electric operations. The revenues are generated primarily from charges for services. In 2010, charges for services of \$6,865,219 amounted for 91 percent of the business-type revenues. The total expenses for the utilities were \$7,483,791. The Village had an increase in net assets of \$80,953 for the business-type activities.

**The Village's Funds**

Information about the Village's governmental funds begins on page 13. Total governmental funds had receipts of \$1,666,507, exclusive of other financing sources and disbursements of \$1,466,762, exclusive of other financing uses. The fund balance of the general fund increased \$139,751 as a result of the reduction of costs for salaries and benefits and an increase in sales and income tax and intergovernmental receipts. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 16. All business-type funds had operating expenses of \$7,035,908 which was more than operating revenues of \$6,865,219, by \$170,689 or 2 percent of operating revenues.

**General Fund Budgeting Highlights**

The Village'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 2010, the Village amended its General Fund budget twice to reflect changing circumstances. Final budgeted receipts were more than original budgeted receipts by \$39,500. The difference between final budgeted receipts and actual receipts was \$62,951. This change was mainly due to a decrease in interest revenue.

Final disbursements (exclusive of other financing sources) were budgeted at \$1,379,895 while actual disbursements were \$1,157,255. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$139,751 for 2010.

**Village of Carey, Wyandot County, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended December 31, 2010  
Unaudited**

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2010, the Village's outstanding debt was \$3,120,845. Table 3 summarizes outstanding debt.

(Table 3)  
**Outstanding Debt, at December 31**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 385,000	\$ 435,000	\$ -	\$ -	\$ 385,000	\$ 435,000
OPWC loan	-	-	371,760	417,267	371,760	417,267
OWDA loan	-	-	2,364,085	2,579,805	2,364,085	2,579,805
Total	\$ <u>385,000</u>	\$ <u>435,000</u>	\$ <u>2,735,845</u>	\$ <u>2,997,072</u>	\$ <u>3,120,845</u>	\$ <u>3,432,072</u>

During 2007, the Village issued \$525,000 of general obligation bonds for the purpose of constructing a new firehouse.

In prior years the Village entered into loan agreements with Ohio Water Development Authority (OWDA) for a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency.

During 2005, the Village entered into a loan agreement with OWDA in the amount of \$2,240,415. The proceeds of this loan are being used for a waterline extension project.

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

During 2010, the Village entered into a loan agreement with OWDA in the amount of \$107,311. The proceeds of this loan are being used for a storm sewer project.

Additional information concerning the Village's debt can be found in Note 10 to the basic financial statements.

**Current Issues**

In an effort to keep expenses at a minimum, the Village continued to keep capital projects on hold in 2010 unless absolutely necessary. Department heads were very instrumental in helping the Village meet that goal. Capital project line items have also been limited in the 2011 budget, as well as overtime. Only necessary overtime will be paid, and department heads are instructed to use more flex and comp time.

Two retirements and three resignations, with no additional hiring, during 2010 also helped with keeping expenses at a manageable level. The General Fund, which has been seeing a reduction in revenue over the past several years due to low interest rates on savings, received a boost in 2010 with an inheritance tax payment to the Village of \$95,000. Also, income tax revenue topped one million dollars in 2010, the first time it has reached that level since 2006, due to expansion at Continental Structural Plastics, Inc., a long-time Village industry.

**Village of Carey, Wyandot County, Ohio**  
**Management's Discussion and Analysis, continued**  
**For the Year Ended December 31, 2010**  
**Unaudited**

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**Current Issues, continued**

The Village also opted to keep the inside KWH tax within the General Fund. In the past, the Village transferred that revenue back into the Electric Fund, but due to the status of the General Fund, council passed an ordinance early in 2010 whereby that sum (approximately \$290,000 per year) will remain in the General Fund. In a similar move, council also voted to allocate income tax revenue as follows: 90% to the General Fund and 10% to the Parks Fund. In the past, the allocation was 80% to the General Fund, 10% to the Capital Improvement Fund and 10% to the Parks Fund.

In May 2010, the Village received a private donation of \$10,000 to be used by the Carey Police Department. Items purchased were defibrillators and an in-car video system.

Another change made during 2010 was the reduction in operating hours at the local swimming pool, which reduced payroll expenses.

The major project that occurred within the Village during 2010 was the East Findlay Sanitary Separation Project, which was funded through the federal stimulus program. The Village also purchased a dump truck for use by the public works department and at the cemetery.

During 2010, the Village identified and cleared up flooding problems that had occurred at the Snyder Park residential subdivision for many years. Four new catch basins were added and over 300 feet of 10" tile were replaced.

Although the Jobs Ready Site grant did not materialize for the Village in 2010, the Village is in the process of annexing 25 acres of land southeast of the Village for a new industrial park. Utilities will also be extended to that area in anticipation of future development.

The final review for the completion of the last phase of the Streetscape Project will be done in 2011.

Also in 2011, the Village will charge rent for use of its five shelter houses. In the past, donations were accepted.

**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 Government's finances and to reflect the Government'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 Toni Ahlberg, Clerk-Treasurer, Village of Carey, 127 N. Vance Street, Carey, Ohio 43316, telephone 419-396-7681 or email [vocclerk@udata.com](mailto:vocclerk@udata.com).

**Village of Carey  
Wyandot County, Ohio  
Statement of Net Assets – Cash Basis  
December 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ <u>1,160,149</u>	<u>6,644,905</u>	<u>7,805,054</u>
Total assets	\$ <u>1,160,149</u>	<u>6,644,905</u>	<u>7,805,054</u>
<b>Net assets</b>			
Restricted for:			
Capital outlay	113,090	-	113,090
Other purposes	698,864	-	698,864
Unrestricted	<u>348,195</u>	<u>6,644,905</u>	<u>6,993,100</u>
Total net assets	\$ <u>1,160,149</u>	<u>6,644,905</u>	<u>7,805,054</u>

See accompanying notes to the basic financial statements.

**Village of Carey  
Wyandot County, Ohio  
Statement of Activities – Cash Basis  
For the Year Ended December 31, 2010**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Current:</b>							
General government	\$ 259,463	13,392	-	-	(246,071)	-	(246,071)
Security of persons and property	802,727	28,905	220	-	(773,602)	-	(773,602)
Public health	21,679	31,667	-	-	9,988	-	9,988
Leisure time activities	64,138	12,483	14,491	-	(37,164)	-	(37,164)
Community and economic development	12,658	-	-	-	(12,658)	-	(12,658)
Basic utility services	4,555	-	-	-	(4,555)	-	(4,555)
Transportation	190,203	-	201,388	10,000	21,185	-	21,185
Capital outlay	44,733	-	-	-	(44,733)	-	(44,733)
Debt service:							
Principal retirement	50,000	-	-	-	(50,000)	-	(50,000)
Interest and fiscal charges	16,606	-	-	-	(16,606)	-	(16,606)
<b>Total governmental activities</b>	<u>1,466,762</u>	<u>86,447</u>	<u>216,092</u>	<u>10,000</u>	<u>(1,154,216)</u>	<u>-</u>	<u>(1,154,216)</u>
<b>Proprietary Activities:</b>							
Electric	6,010,901	6,006,302	-	-	-	(4,599)	(4,599)
Sewer	777,491	426,998	565	-	-	(349,928)	(349,928)
Storm water utility	269,270	66,044	-	121,578	-	(81,648)	(81,648)
Utility deposit	21,279	25,889	-	-	-	4,610	4,610
Water	404,850	339,986	-	-	-	(64,864)	(64,864)
<b>Total business-type activities</b>	<u>7,483,791</u>	<u>6,865,219</u>	<u>565</u>	<u>121,578</u>	<u>-</u>	<u>(496,429)</u>	<u>(496,429)</u>
<b>Total – primary government</b>	<u>\$ 8,950,553</u>	<u>6,951,666</u>	<u>216,664</u>	<u>131,578</u>	<u>(1,154,216)</u>	<u>(496,429)</u>	<u>(1,650,645)</u>
		<b>General Receipts:</b>					
		Property taxes levied for general purpose			80,358	-	80,358
		Income taxes			650,674	446,926	1,097,600
		Other local taxes			289,781	-	289,781
		Grants and entitlements not restricted to specific programs			219,955	-	219,955
		OWDA loan issued			-	107,311	107,311
		Investment earnings			53,820	-	53,820
		Miscellaneous			59,373	-	59,373
		<b>Total general receipts</b>			<u>1,353,961</u>	<u>554,237</u>	<u>1,908,198</u>

continued

**Village of Carey**  
**Wyandot County, Ohio**  
**Statement of Activities – Cash Basis, continued**  
**For the Year Ended December 31, 2010**

Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets			
Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Transfers			(23,145)	23,145	-
	Total general receipts and transfers		1,330,816	577,382	1,908,198
	Change in net assets		176,600	80,953	257,553
	Net assets beginning of year		983,549	6,563,952	7,547,501
	Net assets end of year		\$ 1,160,149	6,644,905	7,805,054

See accompanying notes to the basic financial statements.

**Village of Carey**  
**Wyandot County, Ohio**  
**Statement of Cash Basis Assets and Fund Balances -**  
**Governmental Funds**  
**December 31, 2010**

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ <u>382,510</u>	<u>777,639</u>	<u>1,160,149</u>
Total assets	\$ <u>382,510</u>	<u>777,639</u>	<u>1,160,149</u>
<b>Fund Balances</b>			
Unreserved, undesignated, reported in:			
General Fund	382,510	-	382,510
Special Revenue Funds	-	698,864	698,864
Capital Projects Funds	<u>-</u>	<u>78,775</u>	<u>78,775</u>
Total fund balances	\$ <u>382,510</u>	<u>777,639</u>	<u>1,160,149</u>

See accompanying notes to the basic financial statements.

**Village of Carey**  
**Wyandot County, Ohio**  
**Statement of Cash Receipts, Disbursements, and Changes in Fund Balances -**  
**Cash Basis Governmental Funds**  
**For the Year Ended December 31, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property taxes	\$ 80,358	-	80,358
Income tax	572,673	78,001	650,674
Other local taxes	289,781	-	289,781
Charges for services	20,783	41,875	62,658
Licenses and permits	3,252	-	3,252
Fines and forfeitures	7,473	380	7,853
Intergovernmental	219,955	198,746	418,701
Interest	53,820	2,863	56,683
Rent	12,683	-	12,683
Contributions and donations	-	24,491	24,491
Other	<u>59,373</u>	<u>-</u>	<u>59,373</u>
<b>Total receipts</b>	<b><u>1,320,151</u></b>	<b><u>346,356</u></b>	<b><u>1,666,507</u></b>
<b>Disbursements:</b>			
<b>Current:</b>			
General government	259,463	-	259,463
Security of persons and property	801,625	1,102	802,727
Public health	12,000	9,679	21,679
Leisure time activities	-	64,138	64,138
Community and economic development	12,658	-	12,658
Basic utility services	4,555	-	4,555
Transportation	348	189,855	190,203
Capital outlay	-	44,733	44,733
<b>Debt service:</b>			
Principal retirement	50,000	-	50,000
Interest and fiscal charges	<u>16,606</u>	<u>-</u>	<u>16,606</u>
<b>Total disbursements</b>	<b><u>1,157,255</u></b>	<b><u>309,507</u></b>	<b><u>1,466,762</u></b>
<b>Excess of receipts over disbursements</b>	<b><u>162,896</u></b>	<b><u>36,849</u></b>	<b><u>199,745</u></b>
<b>Other financing sources (uses) -</b>			
Transfers out	<u>(23,145)</u>	<u>-</u>	<u>(23,145)</u>
<b>Net change in fund balances</b>	<b>139,751</b>	<b>36,849</b>	<b>176,600</b>
<b>Fund balance beginning of year</b>	<b><u>242,759</u></b>	<b><u>740,790</u></b>	<b><u>983,549</u></b>
<b>Fund balance end of year</b>	<b>\$ <u>382,510</u></b>	<b><u>777,639</u></b>	<b><u>1,160,149</u></b>

See accompanying notes to the basic financial statements.

**Village of Carey  
Wyandot County, Ohio  
Statement of Cash Receipts, Disbursements and Changes  
in Fund Balance – Budget and Actual – Budget Basis -  
General Fund  
For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property taxes	\$ 87,000	87,000	80,358	(6,642)
Income taxes	452,000	508,500	572,673	64,173
Other local taxes	320,000	275,000	289,781	14,781
Special assessments	1,000	1,000	-	(1,000)
Charges for services	35,950	35,950	20,783	(15,167)
Licenses and permits	3,700	3,700	3,252	(448)
Fines and forfeitures	9,000	9,000	7,473	(1,527)
Intergovernmental	171,300	171,300	219,955	48,655
Interest	100,250	100,250	53,820	(46,430)
Rent	12,000	40,000	12,683	(27,317)
Gifts and contributions	500	500	-	(500)
Other	<u>25,000</u>	<u>25,000</u>	<u>59,373</u>	<u>34,373</u>
<b>Total receipts</b>	<u>1,217,700</u>	<u>1,257,200</u>	<u>1,320,151</u>	<u>62,951</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General government	326,931	329,681	259,463	70,218
Security of persons and property	998,994	933,888	801,625	132,263
Public health	12,000	12,000	12,000	-
Community and economic development	18,999	18,999	12,658	6,341
Basic utility services	5,873	5,873	4,555	1,318
Transportation	12,848	12,848	348	12,500
<b>Debt service:</b>				
Principal retirement	-	50,000	50,000	-
Interest and fiscal charges	<u>-</u>	<u>16,606</u>	<u>16,606</u>	<u>-</u>
<b>Total disbursements</b>	<u>1,375,645</u>	<u>1,379,895</u>	<u>1,157,255</u>	<u>222,640</u>
<b>Excess of receipts over (under) disbursements</b>	<u>(157,945)</u>	<u>(122,695)</u>	<u>162,896</u>	<u>285,591</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	2,500	2,500	-	(2,500)
Transfer out	<u>(23,145)</u>	<u>(23,145)</u>	<u>(23,145)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(20,645)</u>	<u>(20,645)</u>	<u>(23,145)</u>	<u>(2,500)</u>
<b>Net change in fund balance</b>	(178,590)	(143,340)	139,751	283,091
<b>Fund balance beginning of year</b>	<u>242,759</u>	<u>242,759</u>	<u>242,759</u>	<u>-</u>
<b>Fund balance end of year</b>	\$ <u>64,169</u>	<u>99,419</u>	<u>382,510</u>	<u>283,091</u>

See accompanying notes to the basic financial statements.

**Village of Carey**  
**Wyandot County, Ohio**  
**Statement of Fund Net Assets – Cash Basis -**  
**Proprietary Funds**  
**December 31, 2010**

	<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	\$ <u>728,812</u>	<u>2,421,633</u>	<u>3,053,220</u>	<u>441,240</u>	<u>6,644,905</u>
Total assets	\$ <u>728,812</u>	<u>2,421,633</u>	<u>3,053,220</u>	<u>441,240</u>	<u>6,644,905</u>
<b>Net Assets:</b>					
Unrestricted	<u>728,812</u>	<u>2,421,633</u>	<u>3,053,220</u>	<u>441,240</u>	<u>6,644,905</u>
Total net assets	\$ <u>728,812</u>	<u>2,421,633</u>	<u>3,053,220</u>	<u>441,240</u>	<u>6,644,905</u>

See accompanying notes to the basic financial statements.

**Village of Carey  
Wyandot County, Ohio  
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets -  
Cash Basis - Proprietary Funds  
For the Year Ended December 31, 2010**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
Receipts -					
Charges for services	\$ <u>339,986</u>	<u>426,998</u>	<u>6,006,302</u>	<u>91,933</u>	<u>6,865,219</u>
Disbursements:					
Personal services	306,000	223,638	482,391	1,218	1,013,247
Travel	47	47	2,434	-	2,528
Contractual services	41,476	59,312	5,484,434	21,279	5,606,501
Materials and supplies	12,600	28,731	26,810	26,827	94,968
Capital outlay	<u>44,727</u>	<u>18,432</u>	<u>14,832</u>	<u>240,673</u>	<u>318,664</u>
Total operating disbursements	<u>404,850</u>	<u>330,160</u>	<u>6,010,901</u>	<u>289,997</u>	<u>7,035,908</u>
Operating income (loss)	<u>(64,864)</u>	<u>96,838</u>	<u>(4,599)</u>	<u>(198,064)</u>	<u>(170,689)</u>
Non-operating receipts (disbursements):					
OWDA loan proceeds	-	-	-	107,311	107,311
Income taxes	-	446,926	-	-	446,926
Intergovernmental	-	565	-	121,578	122,143
Principal payments	-	(368,538)	-	-	(368,538)
Interest and fiscal charges	<u>-</u>	<u>(78,793)</u>	<u>-</u>	<u>(552)</u>	<u>(79,345)</u>
Total non-operating receipts (disbursements)	<u>-</u>	<u>160</u>	<u>-</u>	<u>228,337</u>	<u>228,497</u>
Income (loss) before transfers	<u>(64,864)</u>	<u>96,998</u>	<u>(4,599)</u>	<u>30,273</u>	<u>57,808</u>
Transfers in	<u>-</u>	<u>-</u>	<u>23,145</u>	<u>-</u>	<u>23,145</u>
Changes in net assets	<u>(64,864)</u>	<u>96,998</u>	<u>18,546</u>	<u>30,273</u>	<u>80,953</u>
Fund net assets beginning of year	<u>793,676</u>	<u>2,324,635</u>	<u>3,034,674</u>	<u>410,967</u>	<u>6,563,952</u>
Fund net assets end of year	\$ <u>728,812</u>	<u>2,421,633</u>	<u>3,053,220</u>	<u>441,240</u>	<u>6,644,905</u>

See accompanying notes to the basic financial statements.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements  
December 31, 2010**

(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.

Primary Government

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

Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the program or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

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

(2) Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the 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 cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the Village's accounting policies.

Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010

(2) Summary of Significant Accounting Policies, continued

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, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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 proprietary 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.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(2) Summary of Significant Accounting Policies, continued

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 is the Village's major governmental fund:

General – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Funds

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

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds, as defined by Governmental Accounting Standards Board Statement No. 34, are:

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.

The other enterprise funds of the Village account for the operations of the storm water and utility deposits.

Basis of Accounting

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

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

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(2) Summary of Significant Accounting Policies, continued

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 function, 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 Certificates of Estimated Resources in effect at the time final appropriations were passed by the Village Council.

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

Cash and Investments

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

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

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

During 2010, the Village invested in a certificate of deposit and a money market account.

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 2010 amounted to \$53,820.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(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 statement.

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Plans

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

Long-Term Obligations

The Village's 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 are other financing sources nor capital outlay expenditures 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. Net assets restricted for other purposes included resources restricted for street maintenance and repairs and parks and recreation.

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.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(2) Summary of Significant Accounting Policies, continued

*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. No fund balance reserves have been established.

*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 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.

(3) 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 Cash Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances and are treated as cash disbursements (budget basis) rather than as a reservation of fund balance (cash basis). The Village did not have any outstanding encumbrances at year end.

(4) 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, or by savings or deposit accounts including, but not limited to, passbook accounts.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(4) 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 a 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 other 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).

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. Investments may only be made through specified dealers and institutions.

Deposits

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

Village of Carey  
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Notes to the Financial Statements, continued  
December 31, 2010

(4) Deposits and Investments, continued

Deposits, continued

At year end, the carrying amount of the Village's deposits was \$7,805,054. Based on the criteria described in the GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$7,355,410 of the Village's bank balance of \$7,855,410 was exposed to custodial credit risk, as discussed above, while \$500,000 was covered by Federal Depository Insurance Corporation.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio Law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Deposits consist of the following at December 31, 2010:

Demand deposits	\$ 4,716,081
Certificates of deposit	<u>3,088,973</u>
Total deposits	\$ <u>7,805,054</u>

The certificates of deposit bear interest at rates between .9% and 2.38% and mature through May 2015.

(5) Income Taxes

The Village levies a 1.5 percent income tax. By council action, the first one percent of income tax revenue is divided as follows: 90 percent to the General Fund and ten percent to the Parks Fund. 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, if at least one percent tax is paid to another city on wages earned, that credit can be applied to the Carey tax liability, with the other half percent payable to the Village. Ultimately, the total income tax payable must equal 1.5 percent of earned 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.

(6) Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2010 for real and public utility property represent the collection of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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.

**Village of Carey  
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Notes to the Financial Statements, continued  
December 31, 2010**

**(6) Property Taxes, continued**

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien on December 31, 2009, are levied after October 1, 2010, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of calendar 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies during 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually; payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20, 2010.

The full rate for all Village operations for the year ended December 31, 2010, 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 2010 property tax receipts were based are as follows:

Real Property:	
Residential/Agricultural	\$ 38,636,930
Commercial/Industrial	8,907,220
Public Utility:	
Real	34,100
Personal	<u>420,310</u>
Total assessed value	\$ <u>47,998,560</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

**(7) Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. As December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

Village of Carey  
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Notes to the Financial Statements, continued  
December 31, 2010

(7) Risk Management, continued

Casualty and Property Coverage, continued

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	2009	2008
Assets	\$ 36,374,898	35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net assets	\$ <u>21,118,036</u>	<u>20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Government's share of these unpaid claims collectible in future years is approximately \$54,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$ 48,081	57,048

After completing one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The Village pays the Ohio Bureau of Workers' Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

Village of Carey  
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Notes to the Financial Statements, continued  
December 31, 2010

(8) Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investments are self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions participate only in the traditional pension 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 (ORC). OPERS issues a stand-alone financial report that is available by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The ORC provides statutory authority for member and employer contributions. For the year ended December 31, 2010, the members in state and local classifications contributed 10.0 percent of covered payroll, and public safety and law enforcement members contributed 10.1 percent.

The Village's contribution rate for 2010 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.87 percent of payroll. The portion of employer contributions allocated to healthcare was 5.5 percent from January 1 through February 28, 2010 and 5 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$88,070, \$96,068 and \$82,417, respectively. The full amount has been contributed for 2010, 2009 and 2008.

Ohio Police and Fire Protection Fund

The Village contributes to the Ohio Police and Fire Pension plan (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 ORC. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report is available by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010

(8) Defined Benefit Pension Plan, continued

*Ohio Police and Fire Protection Fund, continued*

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. For 2009, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's pension contributions to OP&F were \$55,754; \$34,123; and \$43,826, respectively, for the years ended December 31, 2010, 2009 and 2008. The full amount has been contributed for 2010, 2009 and 2008.

(9) Post Employment Benefits

*Ohio Public Employees Retirement System*

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including the postemployment healthcare. The health care plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The ORC permits, but does not require, OPERS to provide health care benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-5601 or (800)222-7377.

The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14 percent of covered payroll (17.87 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care was 5.5 percent from January 1 through February 28, 2010 and 5 percent from March 1 through December 31, 2010. The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(9) Post Employment Benefits, continued

Ohio Public Employees Retirement System, continued

The Village's contributions allocated to fund postemployment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$61,043, \$68,739 and \$82,417, respectively. The full amount has been contributed for 2010, 2009 and 2008.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The Village contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined benefit postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postemployment health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The ORC allows, but does not mandate, OP&F to provide postemployment health care benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the ORC.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the health care program. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

OP&F's postemployment health care plan was established and is administered as an Internal Revenue Code Section 401(h) account (401(h)) within the defined benefit pension plan, under the authority granted by the ORC to the OP&F Board of Trustees. The ORC sets the contribution rates for participation employers and plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of the payroll of active plan members, currently, 19.5 percent of covered payroll for police.

The OP&F Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan B retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care benefits plan.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(9) Post Employment Benefits, continued

Ohio Police and Fire Pension Fund, continued

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits of police were \$19,299, \$11,812 and \$15,171, respectively for the years ended December 31, 2010, 2009 and 2008. The full amount has been contributed for 2010, 2009 and 2008.

(10) Debt

Debt outstanding at December 31, 2010, was as follows:

<u>Debt Issued</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Firehouse Bonds	3.75-4.00%	\$ 525,000	December 1, 2017
OWDA Loan #1	7.11%	1,022,044	January 1, 2013
OWDA Loan #2	8.26%	1,296,441	July 1, 2013
OWDA Loan – Waste Water Treatment Plant Improvements	1.00%	2,240,415	January 1, 2027
OWDA Loan – Storm Sewer	1.00%	107,311	January 1, 2031
OPWC Loan	2.00%	691,976	July 1, 2018

The Village's long-term debt activity for the year ended December 31, 2010 was as follows:

	<u>Balance 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
Firehouse Bonds	\$ <u>435,000</u>	<u>-</u>	<u>(50,000)</u>	<u>385,000</u>	<u>50,000</u>
<b><u>Business – Type Activities</u></b>					
OWDA Loan #1	231,954	-	(72,081)	159,873	77,206
OWDA Loan #2	363,662	-	(94,119)	269,543	101,893
OWDA Loan – WWTP Improvements	1,984,189	-	(156,831)	1,827,358	105,866
OWDA Loan – Storm Sewer	-	107,311	-	107,311	-
OPWC Loan	<u>417,267</u>	<u>-</u>	<u>(45,507)</u>	<u>371,760</u>	<u>46,421</u>
Total Business – Type Activities	\$ <u>2,997,072</u>	<u>107,311</u>	<u>(368,538)</u>	<u>2,735,845</u>	<u>331,386</u>

The Village has pledged future water and sewer revenue, net of specified operating expenses to repay \$3,527,481 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 82.2 percent. The total principal and interest remaining to be paid on the loans is \$2,735,845. Principal and interest paid for the current year and total net revenues were \$447,331 and \$544,329, respectively.

During 2007, the Village issued \$525,000 of general obligation bonds for the purpose of constructing a new firehouse. The Village received \$532,536 in bond proceeds, which included a premium of \$7,536.

In prior years, the Village entered into loan agreements with OWDA for a sewer plan expansion project that was mandated by the Ohio Environmental Protection Agency. These loans totaled \$2,318,485, which will be repaid in semi-annual payments with sewer receipts.

Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010

(10) Debt, continued

During 2005, the Village entered into a loan agreement with OWDA in the amount of \$2,240,015. The proceeds of this loan are being used for a waterline extension project. The Village began repaying the loan in 2007.

During 2000, the Village entered into a loan agreement with the OPWC for the purpose of a sanitary sewer overflow elimination project. This loan will be repaid in semi-annual installments, over a period of 15 years and is collateralized by sewer debt fund income tax receipts.

The OWDA approved a \$117,865 loan to the Village on January 7, 2010 for improvements to the Village's storm sewer system. The Village has drawn down \$107,311 as of December 31, 2010. Upon completion of the project, the loan will be repaid over a period of twenty years. The Village will begin to repay this loan in July of 2011, but the OWDA has not completed an amortization schedule, therefore, the loan is not included in the following amortization schedule.

Principal and interest requirements to retire debt outstanding at December 31, 2010, were as follows:

Year ending December 31:	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 50,000	14,732	284,965	48,069	46,421	7,205
2012	50,000	12,856	299,902	34,500	47,354	6,271
2013	55,000	10,980	165,339	19,892	48,306	5,320
2014	55,000	8,918	109,082	14,794	49,277	4,349
2015	55,000	6,856	110,175	13,700	50,268	3,358
2016 – 2020	120,000	7,126	567,664	51,710	130,134	3,929
2021 – 2025	-	-	596,694	22,679	-	-
2026	-	-	122,953	923	-	-
<b>Total</b>	<b>\$ 385,000</b>	<b>61,468</b>	<b>2,256,774</b>	<b>206,267</b>	<b>371,760</b>	<b>30,432</b>

Year ending December 31:	Total	
	Principal	Interest
2011	\$ 381,386	70,006
2012	397,256	53,627
2013	268,645	36,192
2014	213,359	28,061
2015	215,443	23,914
2016 – 2020	817,798	62,765
2021 – 2025	596,694	22,679
2026	122,953	923
<b>Total</b>	<b>\$ 3,013,534</b>	<b>298,167</b>

The Village entered into a waterline extension project agreement with the Water and Sewer Rotary Commission (the 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 ORC Section 929.03(D). The Village shall, upon such change in use, collect from the property owner an assessment for

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

**(10) Debt, continued**

the portion of changed property and make repayment to the Commission in the full amount of the assessment. A change in use occurred during 2005 and the Village collected from the property owner an assessment of \$33,311 for the portion of changed property and a payment was made to the Commission in the full amount of the assessment. The balance of the advance was \$56,689 at December 31, 2010.

**(11) Interfund Transfers**

During 2010, the following transfers were made:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General	\$ -	23,145
Electric	<u>23,145</u>	<u>-</u>
Total	\$ <u>23,145</u>	<u>23,145</u>

**(12) Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally by the federal government. Grantors may require refunding and disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**(13) Subsequent Events**

The Village is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

**History of the AMPGS Project**

In November 2009, the participants of the AMPGS Project voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined AMP balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

**(13) Subsequent Events, continued**

**History of the AMPGS Project, continued**

undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to the Village of 2,000 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village has a potential stranded cost obligation of \$327,110 for the AMPGS Project. The Village does not have any payments on deposit with AMP at December 31, 2011.

**AMP Fremont Energy Center (AFEC) Development Fee**

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board. The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$129,300 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 1,235 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2011.

**Recording of Stranded Costs**

The Village has not recorded stranded costs for the AMPGS Project. The Village of Carey has not requested an invoice from AMP for the potential stranded costs identified in the memos AMP sent in November and December of 2011. The Village is not intending to request an invoice from AMP until such time as the litigation with the EPC contractor is finalized. Had the Village chosen to expense the potential stranded costs the Village believes it would not have violated any covenant obligations for its Electric Fund because it carried no debt obligations.

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the Village has relied upon its Village Law Director, information provided by AMP and its legal counsel with respect to the data, as well as information provided by the Village's independent auditor and Village management.

**Village of Carey  
Wyandot County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2010**

(13) Subsequent Events, continued

Subsequent events have been evaluated through July 9, 2012, which is the date the financial statements were available to be issued.

(14) Compliance

Contrary to Ohio law:

- Appropriations exceeded actual available resources in the Water Capital Improvement and Electric Capital Improvement Funds by \$250,000 and \$1,700,000, respectively.

# Wolf, Rogers, Dickey & Co.

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## **Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters, Required By Government Auditing Standards**

Village Council  
Village of Carey  
Wyandot County, Ohio

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 9, 2012, wherein we noted the Village had followed the 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as Finding 2010-01.

We did note certain internal control matters that we reported to the Village's management in a separate letter dated July 9, 2012.

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

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Wolf, Rogers, Dickey & Co.*  
Certified Public Accountants

July 9, 2012

**Village of Carey  
Wyandot County, Ohio  
Schedule of Findings  
December 31, 2010**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

Finding Number 2010-01  
Noncompliance

Ohio Revised Code (ORC) Section 5705.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

Appropriations in the Water Capital Improvement and Electric Capital Improvement Funds exceeded actual available resources in the funds by \$250,000 and \$1,700,000, respectively, due to a shortfall of anticipated receipts. While we recognize that the Village did not spend the appropriations and actual expenses did not exceed available resources, ORC Section 5705.36 still requires an amended Certificate of Estimated Resources to reflect the reduced receipts. Additionally, the Village should have reduced the appropriations below the estimated resources.

Response by Village

This was an oversight on my part due to the timing of anticipated grant revenues.

**Village of Carey  
Wyandot County, Ohio  
Schedule of Prior Audit Findings  
December 31, 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid: Explain:</u>
2009-01	Amending Certificates of Estimated Resources	No	Repeat as Finding Number 2010-01

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# Dave Yost • 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  
JANUARY 10, 2013