

**VILLAGE OF CAREY
WYANDOT COUNTY, OHIO**

FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011 through December 31, 2011. 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". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 31, 2012

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Village of Carey
Wyandot County, Ohio

For the Year Ended
December 31, 2011

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2011, 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 of 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio as of December 31, 2011, 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.

As described in Note 3, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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, 2011
Unaudited**

This discussion and analysis of Village of Carey's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, 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.

Financial Highlights

Key highlights for 2011 are as follows:

In total, net assets increased \$159,751. Net assets of governmental activities increased \$199,390, which represents an 18 percent increase from 2010. Net assets of business-type activities decreased \$39,639 or 1 percent from 2010.

The Village's general receipts accounted for \$1,874,938 in revenue or 20 percent of all revenues. Program specific revenues in the form of charges of services and sales and grants accounted for \$7,457,368 or 80 percent of total revenues of \$9,332,306.

Total program expenses were \$9,172,555; \$1,658,048 in governmental activities and \$7,514,507 in business-type activities.

Outstanding debt decreased from \$3,120,845 to \$2,734,082 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 balance or most activity in separate columns. In the case of the Village of Carey, the General Fund is the most significant fund. The 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, 2011
Unaudited**

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 2011, 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.

These 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 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 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.

Governmental Funds – Many of the Village's activities are reported in governmental funds. The governmental fund financial statements provide 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

Village of Carey, Wyandot County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2011
Unaudited

Reporting the Village's Most Significant Funds, continued

Fund Financial Statements, continued

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 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 two major funds, the Sewer and Electric Funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis:

	(Table 1)					
	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Cash and cash equivalents	\$ <u>1,359,539</u>	<u>1,160,149</u>	<u>6,605,266</u>	<u>6,644,905</u>	<u>7,964,805</u>	<u>7,805,054</u>
Net Assets						
Restricted	\$ 766,134	777,639	-	-	766,134	777,639
Unrestricted	<u>593,405</u>	<u>382,510</u>	<u>6,605,266</u>	<u>6,644,905</u>	<u>7,198,671</u>	<u>7,027,415</u>
Total net assets	\$ <u>1,359,539</u>	<u>1,160,149</u>	<u>6,605,266</u>	<u>6,644,905</u>	<u>7,964,805</u>	<u>7,805,054</u>

As mentioned previously, net assets of governmental activities increased \$199,390 or 18 percent during 2011. The primary reasons contributing to this increase are a reduction of costs for salaries and benefits and an increase in income tax and intergovernmental receipts.

Table 2 reflects the changes in net assets on a cash basis in 2011 and 2010 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, 2011
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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Receipts						
<i>Program Receipts</i>						
Charges for services and sales	\$ 86,946	86,447	6,935,065	6,865,219	7,022,011	6,951,666
Operating grants, contributions and interest	192,902	216,099	2,459	565	195,361	216,664
Capital grants and contributions	<u>239,996</u>	<u>10,000</u>	<u>-</u>	<u>121,578</u>	<u>239,996</u>	<u>131,578</u>
Total program receipts	<u>519,844</u>	<u>312,546</u>	<u>6,937,524</u>	<u>6,987,362</u>	<u>7,457,368</u>	<u>7,299,908</u>
<i>General Receipts</i>						
Property taxes	77,955	80,358	-	-	77,955	80,358
Income taxes	689,547	650,674	474,978	446,926	1,164,525	1,097,600
Other local taxes	288,428	289,781	-	-	288,428	289,781
OWDA loan issued	-	-	-	107,311	-	107,311
Capital lease proceeds	-	-	62,366	-	62,366	-
Grants and entitlements	152,253	219,955	-	-	152,253	219,955
Investment earnings	60,817	53,820	-	-	60,817	53,820
Miscellaneous	<u>68,594</u>	<u>59,373</u>	<u>-</u>	<u>-</u>	<u>68,594</u>	<u>59,373</u>
Total general receipts	<u>1,337,594</u>	<u>1,353,961</u>	<u>537,344</u>	<u>554,237</u>	<u>1,874,938</u>	<u>1,908,198</u>
Total receipts	<u>1,857,438</u>	<u>1,666,507</u>	<u>7,474,868</u>	<u>7,541,599</u>	<u>9,332,306</u>	<u>9,208,106</u>
Disbursements						
General government	218,743	259,463	-	-	218,743	259,463
Security of persons and property	803,946	802,727	-	-	803,946	802,727
Public health	30,716	21,679	-	-	30,716	21,679
Leisure time activities	66,897	64,138	-	-	66,897	64,138
Community and economic development	6,624	12,658	-	-	6,624	12,658
Basic utilities	2,940	4,555	-	-	2,940	4,555
Transportation	211,279	190,203	-	-	211,279	190,203
Capital outlay	252,172	44,733	62,366	-	314,538	44,733
Principal retirement	50,000	50,000	-	-	50,000	50,000
Interest and fiscal charges	14,731	16,606	-	-	14,731	16,606
Electric	-	-	6,109,115	6,010,901	6,109,115	6,010,901
Sewer	-	-	850,867	777,491	850,867	777,491
Storm water utility	-	-	13,183	269,270	13,183	269,270
Utility deposit	-	-	29,018	21,279	29,018	21,279
Water	<u>-</u>	<u>-</u>	<u>449,958</u>	<u>404,850</u>	<u>449,958</u>	<u>404,850</u>
Total disbursements	<u>1,658,048</u>	<u>1,466,762</u>	<u>7,514,507</u>	<u>7,483,791</u>	<u>9,172,555</u>	<u>8,950,553</u>
Excess (deficiency) before transfers	199,390	199,745	(39,639)	57,808	159,751	257,553
Transfers	<u>-</u>	<u>(23,145)</u>	<u>-</u>	<u>23,145</u>	<u>-</u>	<u>-</u>
Change in net assets	\$ <u>199,390</u>	<u>176,600</u>	<u>(39,639)</u>	<u>80,953</u>	<u>159,751</u>	<u>257,553</u>

**Village of Carey, Wyandot County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2011
Unaudited**

Governmental Activities

Program receipts represent only 28 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 72 percent of the Village's total receipts, and of this amount, 75 percent are taxes. State and federal grants and entitlements make up 12 percent of the Village's general receipts. Other receipts such as investments earnings make up a small percentage (9 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, the Village tries to limit these costs to 15 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 \$803,946 represents 48 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 \$97,613 in 2011 equaling 6 percent of the total government service expenses.

Business-type Activities

Business-type activities include water, sewer and electric operations. The revenues are generated primarily from charges for services. In 2011, charges for services of \$6,935,065 accounted for 93 percent of the business-type revenues. The total expenses for the utilities were \$7,514,507. The Village had a decrease in net assets of \$39,639 for the business-type activities.

The Village's Funds

Information about the Village's governmental funds begins on page 14. Total governmental funds had receipts of \$1,857,438, exclusive of other financing sources and disbursements of \$1,658,048, excluding other financial uses. The fund balance of the General Fund increased \$199,390 as a result of the reduction of costs for salaries and benefits and an increase in 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 17. All business-type funds had operating expenses of \$7,121,300 which was more than operating revenues of \$6,935,065 by \$186,235 or 3 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 2011, the Village amended its General Fund budget twice to reflect changing circumstances. Final budgeted receipts were more than original budgeted receipts by \$3,000. The difference between final budgeted receipts and actual receipts was \$83,008, excluding other financing sources. This change was mainly due to an increase in income tax revenue.

**Village of Carey, Wyandot County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2011
Unaudited**

General Fund Budgeting Highlights, continued

Final disbursements (exclusive of other financing sources) were budgeted at \$1,305,220 while actual disbursements were \$1,104,669. 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 \$210,895 for 2011.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2011, the Village's outstanding debt was \$2,734,082. 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 335,000	385,000	-	-	335,000	385,000
OPWC loan	-	-	325,339	371,760	325,339	371,760
OWDA loan	-	-	<u>2,073,743</u>	<u>2,364,085</u>	<u>2,073,743</u>	<u>2,364,085</u>
Total	\$ <u>335,000</u>	<u>385,000</u>	<u>2,399,082</u>	<u>2,735,845</u>	<u>2,734,082</u>	<u>3,120,845</u>

During 2007, the Village issued \$525,000 of general obligation bonds to construct 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 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 11 to the basic financial statements.

Village of Carey, Wyandot County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2011
Unaudited

Current Issues

Population figures for the Village of Carey were reduced in 2011 from 3,901 to 3,674, according to the most recent census count. Income taxes had a slow but steady increase throughout 2011, despite the population decrease. The Village ended 2011 with an approximate 5.8% increase in income tax revenue over 2010. Another sign of encouragement is the investment by residents of a little over \$1 million in new homes and remodeling projects.

The Village continued to keep capital projects on hold in 2011 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 2012 budget, as well as overtime. Only necessary overtime will be paid, and department heads are instructed to use more flex and comp time.

There was one new hire for the public works department in 2011. In early 2012, the clerk-treasurer's account clerk will retire after 25 years, and a replacement will be hired. 2011 marked the retirement of a long-time councilman, and council appointed his replacement in January 2012. The 2011 general election resulted in a new mayor and the re-election of a councilman and the clerk-treasurer. A new law director was also appointed for 2012.

One of the major purchases during 2011 was a 2012 Terrastar plow truck, obtained through a lease purchase agreement at \$80,000 over five years. A new police vehicle will be needed in 2012 at a cost of \$30-\$35,000. A mini excavator is needed for tight locations, and a replacement pool filtration system is also on the wish list for 2012. Cleaning one wastewater treatment plant lagoon is also a priority for 2012 to allow the Village to remain in compliance with our NPDES permit.

Twenty-five acres southeast of the Village was annexed in 2011 for a new industrial park. Utilities will be extended to that area in anticipation of future development. Water lines are in, sewer has been approved for installation, and electric is in the planning stages.

Storm water became a contentious topic midyear, with record rainfall events causing flooding not only in the downtown area, but in isolated neighborhoods as well. This triggered the hiring of a consultant to verify the conditions and begin working on design plans for the items recommended in the Storm Water Management Plan once verified.

Storm water utility rates increased 200% to build funds for loan and grant matching funds for the above-mentioned large project corrections. Smaller projects will be on-going by our forces.

Phase II of the Village's streetscape project was bid by Ohio Department of Transportation (ODOT) and work started in July. The project will be completed early 2012, with review by ODOT and final true-up on project change orders.

In 2011, the Village began to charge rent for usage of its five shelter houses. In the past, donations were accepted.

The Village worked with the urban forester to obtain an Emerald Ash Borer grant, enabling the Village to remove about 19 trees and replant another 13 with state-matched funding.

The Carey Municipal Building was designated by the Wyandot County Emergency Action Plan as the emergency location for Wyandot County Probate Court, due to the building being a convenient location in the county, having a backup generator, and the audio/video recording system in council chambers.

**Village of Carey, Wyandot County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2011
Unaudited**

Current Issues, continued

A strong wind passed through the southeast side of the Village August 1, taking down six utility poles and breaking a seventh. Village crews, aided by Vaughn Industries, had everything back up and running in about 13 hours. One of the Village's emergency sirens suffered a lightning strike and required service, along with four new deep-cycle batteries.

SolarVision LLC contacted the Village in early summer proposing a small solar field be installed on Village property. The only land available was the dedicated well field. After contacting the Ohio EPA, the Village received permission to move forward with the project. Work on the solar field is scheduled to begin in spring 2012.

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

**Village of Carey
Wyandot County, Ohio
Statement of Net Assets – Cash Basis
December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets			
Equity in pooled cash and cash equivalents	\$ <u>1,359,539</u>	<u>6,605,266</u>	<u>7,964,805</u>
Total assets	\$ <u>1,359,539</u>	<u>6,605,266</u>	<u>7,964,805</u>
Net assets			
Restricted for:			
Capital projects	67,592	-	67,592
Other purposes	698,542	-	698,542
Unrestricted	<u>593,405</u>	<u>6,605,266</u>	<u>7,198,671</u>
Total net assets	\$ <u>1,359,539</u>	<u>6,605,266</u>	<u>7,964,805</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, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Current:							
General government	\$ 218,743	14,981	-	-	(203,762)	-	(203,762)
Security of persons and property	803,946	33,382	220	-	(770,344)	-	(770,344)
Public health	30,716	20,272	-	-	(10,444)	-	(10,444)
Leisure time activities	66,897	16,486	890	-	(49,521)	-	(49,521)
Community and economic development	6,624	1,825	-	-	(4,799)	-	(4,799)
Basic utility services	2,940	-	-	-	(2,940)	-	(2,940)
Transportation	211,279	-	191,792	-	(19,487)	-	(19,487)
Capital outlay	252,172	-	-	239,996	(12,176)	-	(12,176)
Debt service:							
Principal retirement	50,000	-	-	-	(50,000)	-	(50,000)
Interest and fiscal charges	14,731	-	-	-	(14,731)	-	(14,731)
Total governmental activities	<u>1,658,048</u>	<u>86,946</u>	<u>192,902</u>	<u>239,996</u>	<u>(1,138,204)</u>	<u>-</u>	<u>(1,138,204)</u>
Proprietary Activities:							
Electric	6,109,115	6,038,558	-	-	-	(70,557)	(70,557)
Sewer	850,867	421,345	2,459	-	-	(427,063)	(427,063)
Storm water utility	13,183	109,962	-	-	-	96,779	96,779
Utility deposit	29,018	28,612	-	-	-	(406)	(406)
Water	512,324	336,588	-	-	-	(175,736)	(175,736)
Total business-type activities	<u>7,514,507</u>	<u>6,935,065</u>	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>(576,983)</u>	<u>(576,983)</u>
Total – primary government	<u>\$ 9,172,555</u>	<u>7,022,011</u>	<u>195,361</u>	<u>239,996</u>	<u>(1,138,204)</u>	<u>(576,983)</u>	<u>(1,715,187)</u>
General Receipts:							
Property taxes levied for general purposes					77,955	-	77,955
Income taxes					689,547	474,978	1,164,525
Other local taxes					288,428	-	288,428
Grants and entitlements not restricted to specific programs					152,253	-	152,253
Investment earnings					60,817	-	60,817
Capital lease proceeds					-	62,366	62,366
Miscellaneous					68,594	-	68,594
Total general receipts					<u>1,337,594</u>	<u>537,344</u>	<u>1,874,938</u>

continued

Village of Carey
Wyandot County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	General	All Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and cash equivalents	\$ <u>593,405</u>	<u>766,134</u>	<u>1,359,539</u>
Total assets	\$ <u>593,405</u>	<u>766,134</u>	<u>1,359,539</u>
Fund Balances			
Restricted	-	577,054	577,054
Committed	-	189,080	189,080
Assigned	71	-	71
Unassigned	<u>593,334</u>	<u>-</u>	<u>593,334</u>
Total fund balances	\$ <u>593,405</u>	<u>766,134</u>	<u>1,359,539</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, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property taxes	\$ 77,955	-	77,955
Income tax	620,592	68,955	689,547
Other local taxes	288,428	-	288,428
Special assessments	470	-	470
Charges for services	22,440	32,217	54,657
Licenses and permits	2,707	-	2,707
Fines and forfeitures	8,329	2,342	10,671
Intergovernmental	152,253	424,621	576,874
Interest	59,437	1,380	60,817
Rent	13,900	4,540	18,440
Donations	-	7,890	7,890
Other	<u>68,982</u>	<u>-</u>	<u>68,982</u>
Total receipts	<u>1,315,493</u>	<u>541,945</u>	<u>1,857,438</u>
Disbursements:			
Current:			
General government	218,743	-	218,743
Security of persons and property	801,567	2,379	803,946
Public health	9,993	20,723	30,716
Leisure time activities	-	66,897	66,897
Community and economic development	6,624	-	6,624
Basic utility services	2,940	-	2,940
Transportation	-	211,279	211,279
Capital outlay	-	252,172	252,172
Debt Service:			
Principle retirement	50,000	-	50,000
Interest and fiscal charges	<u>14,731</u>	<u>-</u>	<u>14,731</u>
Total disbursements	<u>1,104,598</u>	<u>553,450</u>	<u>1,658,048</u>
Net change in fund balances	210,895	(11,505)	199,390
Fund balances beginning of year	<u>382,510</u>	<u>777,639</u>	<u>1,160,149</u>
Fund balances end of year	\$ <u>593,405</u>	<u>766,134</u>	<u>1,359,539</u>

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property taxes	\$ 82,000	82,000	77,955	(4,045)
Income taxes	540,000	540,000	620,592	80,592
Other local taxes	290,000	290,000	288,428	(1,572)
Special assessments	1,000	1,000	470	(530)
Charges for services	35,700	35,700	22,440	(13,260)
Licenses and permits	4,225	4,225	2,707	(1,518)
Fines and forfeitures	9,000	9,000	8,329	(671)
Intergovernmental	167,060	170,060	152,253	(17,807)
Interest	30,200	30,200	59,437	29,237
Rent	20,000	20,000	13,900	(6,100)
Donations	300	300	-	(300)
Other	<u>50,000</u>	<u>50,000</u>	<u>68,982</u>	<u>18,982</u>
Total receipts	<u>1,229,485</u>	<u>1,232,485</u>	<u>1,315,493</u>	<u>83,008</u>
Disbursements:				
Current:				
General government	307,422	307,422	218,743	88,679
Security of persons and property	965,745	907,200	801,567	105,633
Public health	12,000	12,000	9,993	2,007
Community and economic development	10,848	10,848	6,624	4,224
Basic utility services	2,500	3,000	2,940	60
Debt service:				
Principal retirement	-	50,000	50,000	-
Interest and fiscal charges	<u>-</u>	<u>14,750</u>	<u>14,731</u>	<u>19</u>
Total disbursements	<u>1,298,515</u>	<u>1,305,220</u>	<u>1,104,598</u>	<u>200,622</u>
Excess of receipts over (under) disbursements	(69,030)	(72,735)	210,895	283,630
Other financing sources (uses) -				
Sale of capital assets	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Net change in fund balance	(66,530)	(70,235)	210,895	281,130
Fund balance beginning of year	<u>382,510</u>	<u>382,510</u>	<u>382,510</u>	<u>-</u>
Fund balance end of year	\$ <u>315,980</u>	<u>312,275</u>	<u>593,405</u>	<u>281,130</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, 2011

	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ <u>2,469,548</u>	<u>2,982,663</u>	<u>1,153,055</u>	<u>6,605,266</u>
Total assets	<u>2,469,548</u>	<u>2,982,663</u>	<u>1,153,055</u>	<u>6,605,266</u>
Net Assets:				
Unrestricted	<u>2,469,548</u>	<u>2,982,663</u>	<u>1,153,055</u>	<u>6,605,266</u>
Total net assets	\$ <u>2,469,548</u>	<u>2,982,663</u>	<u>1,153,055</u>	<u>6,605,266</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, 2011**

	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
Receipts -				
Charges for services	\$ <u>421,345</u>	<u>6,038,558</u>	<u>475,162</u>	<u>6,935,065</u>
Operating disbursements:				
Personal services	160,793	306,756	190,880	658,429
Employee fringe benefits	68,073	137,525	94,499	300,097
Contractual services	64,539	5,389,853	62,473	5,516,865
Materials and supplies	41,466	34,236	36,227	111,929
Capital outlay	<u>122,789</u>	<u>240,745</u>	<u>170,446</u>	<u>533,980</u>
Total operating disbursements	<u>457,660</u>	<u>6,109,115</u>	<u>554,525</u>	<u>7,121,300</u>
Operating income (loss)	<u>(36,315)</u>	<u>(70,557)</u>	<u>(79,363)</u>	<u>(186,235)</u>
Non-operating receipts (disbursements):				
Income taxes	474,978	-	-	474,978
Intergovernmental	2,459	-	-	2,459
Capital lease proceeds	-	-	62,366	62,366
Principal payments	(336,763)	-	-	(336,763)
Interest and fiscal charges	<u>(56,444)</u>	<u>-</u>	<u>-</u>	<u>(56,444)</u>
Total non-operating receipts (disbursements)	<u>84,230</u>	<u>-</u>	<u>62,366</u>	<u>146,596</u>
Changes in net assets	47,915	(70,557)	(16,997)	(39,639)
Fund net assets beginning of year	<u>2,421,633</u>	<u>3,053,220</u>	<u>1,170,052</u>	<u>6,644,905</u>
Fund net assets end of year	\$ <u>2,469,548</u>	<u>2,982,663</u>	<u>1,153,055</u>	<u>6,605,266</u>

See accompanying notes to the basic financial statements.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
December 31, 2011**

(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.

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. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the 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.

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.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(2) Summary of Significant Accounting Policies, continued

Government-Wide Financial Statements, continued

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

Fund Financial Statements

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

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.

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.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(2) Summary of Significant Accounting Policies, continued

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 in Governmental Accounting Standards Board Statement No. 34, are:

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

Budgetary Process

All funds are legally required to be budgeted and appropriated annually. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council’s authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund function, and object level for all funds.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(2) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

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 investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2011, 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 2011 amounted to \$60,817.

Inventory and Prepaid Items

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

Capital Assets

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

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(2) Summary of Significant Accounting Policies, continued

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 9 and 10, 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.

Fund Balance Reserves

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(2) Summary of Significant Accounting Policies, continued

Fund Balance Reserves, continued

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within the unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011

(2) Summary of Significant Accounting Policies, continued

Inter-fund Transactions, continued

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without the requirement for repayment are reported as transfers. Transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities or within business-type activities are eliminated.

(3) Change in Accounting Principle

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

(4) Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund 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 restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$71 for the General Fund.

(5) Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies 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, 2011**

(5) 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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. At year end, \$4,674,579 of the Village's bank balance of \$7,980,229 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011

(5) Deposits and Investments, continued

Deposits, continued

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

Deposits consist of the following at December 31, 2011:

Demand deposits	\$ 4,817,895
Certificates of deposit	<u>3,146,910</u>
Total deposits	\$ <u>7,964,805</u>

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

(6) 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: ninety 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.

(7) Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien on December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011

(7) Property Taxes, continued

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.

(8) 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011

(8) Risk Management, continued

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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$ 34,952,010	36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net assets	\$ <u>20,631,198</u>	<u>21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Government's share of these unpaid claims collectible in future years is approximately \$45,000.

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>2011</u>	<u>2010</u>
\$ 55,564	48,081

After 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
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(9) Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan

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

Funding Policy - The ORC provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the ORC, are not to exceed 10 percent of covered payroll for members in the state and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. For 2011, member and employer contribution rates were consistent across all three plans.

The Village's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety for whom the Village's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to healthcare for members in the traditional plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$100,099, \$88,070, and \$96,068, respectively. The full amount has been contributed for 2011, 2010 and 2009.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(9) Defined Benefit Pension Plan, continued

Ohio Police and Fire Protection Fund

The Village contributes to the Ohio Police and Fire Pension (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 may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

The ORC requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The Village has no firefighters.

The OP&F Pension Fund is authorized by the ORC to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police pension were \$33,273, \$36,455 and \$22,311 for the years ended December 31, 2011, 2010 and 2009, respectively. The full amount has been contributed for 2011, 2010 and 2009.

(10) Post Employment Benefits

Ohio Public Employees Retirement System

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

In order 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.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(10) Post Employment Benefits, continued

Ohio Public Employees Retirement System, continued

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed 18.1 percent. The ORC currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment health care plan.

The Village's contributions allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$40,039, \$61,043, and \$68,739, respectively. The full amount has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension fund (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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC allows, but does not mandate, OP&F to provide OPEB 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.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011

(10) Post Employment Benefits, continued

Ohio Police and Fire Pension Fund, continued

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

The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by ORC to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an Internal Revenue Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code Section 401(h) account (401(h)), both of which are within the defined benefit pension plan, under the authority granted by the ORC to the OP&F Board of Trustees.

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, 2011, 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 by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits of police were \$17,615, \$19,299, and \$11,812, respectively for the years ended December 31, 2011, 2010 and 2009. The full amount has been contributed for 2011, 2010 and 2009.

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(11) Debt

Debt outstanding at December 31, 2011, was as follows:

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

The Village's long-term debt activity for the year ended December 31, 2011 was as follows:

	<u>Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
General Obligation Bonds	\$ <u>385,000</u>	<u>-</u>	<u>(50,000)</u>	<u>335,000</u>	<u>50,000</u>
<u>Business – Type Activities</u>					
OWDA Loan – Sewer Plant Expansion	159,873	-	(77,206)	82,667	82,667
OWDA Loan – Sewer Plant Expansion	269,543	-	(101,893)	167,650	110,309
OWDA Loan – WWTP Improvements	1,827,358	-	(105,866)	1,721,492	106,927
OWDA Loan – Storm Sewer	107,311	-	(5,377)	101,934	5,539
OPWC Loan – Sanitary Sewer	<u>371,760</u>	<u>-</u>	<u>(46,421)</u>	<u>325,339</u>	<u>47,354</u>
Total Business – Type Activities	\$ <u>2,735,845</u>	<u>-</u>	<u>(336,763)</u>	<u>2,399,082</u>	<u>352,796</u>

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

On December 20, 2007, the Village issued \$525,000 in unvoted 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.

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 89.1 percent. The total principal and interest remaining to be paid on the loans is \$2,593,984. Principal and interest paid for the current year and total net revenues were \$393,207 and \$441,122, respectively.

During 1987, the Village entered into loan agreements with OWDA for a sewer plant 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, 2011**

(11) Debt, continued

During 2005, the Village entered into a loan agreement with OWDA in the amount of \$2,240,415. The proceeds of this loan were used for wastewater treatment plant improvements. The Village began repaying the loan in 2007.

The OWDA approved a \$239,443 loan to the Village on January 7, 2010 for improvements to the Village's storm sewer system. Of this amount, \$121,578 in principal was forgiven through assistance from funding through the American Recovery and Reinvestment Act of 2009 (ARRA) which leaves \$117,865 as the net amount financed by the Village. As of December 31, 2011, \$107,311 of this loan has been drawn down by the Village. The loan will be repaid over a period of twenty years.

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

Principal and interest requirements to retire debt outstanding at December 31, 2011, were as follows:

Year ending December 31:	General Obligation Bonds		OWDA Loans		OPWC Loans	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 50,000	12,856	305,442	35,508	47,354	6,271
2013	55,000	10,980	170,936	20,842	48,306	5,319
2014	55,000	8,918	114,736	15,688	49,277	4,348
2015	55,000	6,856	115,885	14,534	50,268	3,358
2016	60,000	4,725	117,046	13,375	51,278	2,348
2017 – 2021	60,000	2,400	603,070	49,040	78,856	1,582
2022 – 2026	-	-	633,911	18,198	-	-
2027 – 2028	-	-	12,717	143	-	-
Total	\$ <u>335,000</u>	<u>46,735</u>	<u>2,073,743</u>	<u>167,328</u>	<u>325,339</u>	<u>23,226</u>

Year ending December 31:	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 402,796	54,635
2013	274,242	37,141
2014	219,013	28,954
2015	221,153	24,748
2016	228,324	20,448
2017 – 2021	741,926	53,022
2022 – 2026	633,911	18,198
2027 – 2028	12,717	143
Total	<u>\$2,734,082</u>	<u>237,289</u>

The ORC provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The ORC further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$4,704,849 and an unvoted debt margin of \$2,304,921.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011

(11) Debt, continued

The Village also 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 the portion of changed property and make repayment to the Commission in the amount of \$33,331 for the portion of changed property. The balance of the advance was \$56,689 at December 31, 2011.

(12) Leases

In 2011, the Village leased a truck under a noncancelable lease. The Village disbursed \$17,299 to pay lease costs for the year ended December 31, 2011. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 17,299
2013	17,299
2014	17,299
2015	<u>17,299</u>
Total	\$ <u>69,196</u>

(13) 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.

(14) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:			
Community center	\$ -	55,798	55,798
Road improvements	-	399,244	399,244
Cemetery	-	120,194	120,194
Police operations	<u>-</u>	<u>1,818</u>	<u>1,818</u>
Total restricted	-	577,054	577,054

**Village of Carey
Wyandot County, Ohio
Notes to The Financial Statements, continued
December 31, 2011**

(14) Fund Balance, continued

Committed for:			
Capital outlay	-	11,794	11,794
Recreation	<u>-</u>	<u>177,286</u>	<u>177,286</u>
 Total committed	 -	 189,080	 189,080
Assigned for:			
Encumbrances	71	-	71
Unassigned	<u>593,334</u>	<u>-</u>	<u>593,334</u>
 Total fund balances	 \$ <u>593,405</u>	 <u>766,134</u>	 <u>1,359,539</u>

(15) Other Commitments and Contingencies

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 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

**Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2011**

(15) Other Commitments and Contingencies, continued

History of the AMPGS Project, continued

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, 2011**

(16) Subsequent Events

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

(17) Compliance

Contrary to Ohio law expenditures exceeded appropriations in the Water Capital Improvement Fund by \$232,996.

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, business-type activities, each major fund, and the aggregate remaining fund information of Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2011, 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, and wherein we noted the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as Finding Number 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 9, 2012.

The Village's response to the finding 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 Village Council, 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, 2011**

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

Finding Number 2011-01
Noncompliance

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the Water Capital Improvement Fund by \$232,996.

Response by Village

The Village had anticipated grant money for a water capital improvement project we planned to do. We did not receive the funds until December 2011, and I neglected to amend the records to reflect the revenue and the expense.

**Village of Carey
Wyandot County, Ohio
Schedule of Prior Audit Findings
December 31, 2011**

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

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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