

VILLAGE OF CAREY
WYANDOT COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Carey, Wyandot County, prepared by Holbrook & Manter, for the year ended December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Carey
Wyandot County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Carey, Wyandot County, Ohio, (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

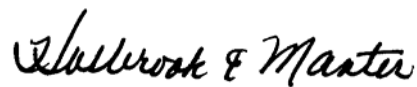
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Carey, Wyandot County, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General and Income Tax funds thereof for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2009 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Certified Public Accountants

May 20, 2009

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

This discussion and analysis of the Village of Carey's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

In total, net assets increased \$217,871. Net assets of governmental activities increased \$244,051 or 11.6 percent during 2007. Net assets of business-type activities decreased \$26,180 or .3 percent, from 2006.

The Village's general receipts accounted for \$3,020,148 in revenue or 81.7 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants accounted for \$6,840,548 or 18.3 percent of total revenues of \$9,886,774.

Total program expenses were \$9,642,825; \$1,988,808 in governmental activities and \$7,654,017 in business-type activities.

Outstanding debt (excluding capital leases) increased from \$4,243,854 to \$4,708,883 through issuance of new 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 modified cash basis of accounting.

Report Components

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

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

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

Basis of Accounting

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

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Basis of Accounting (continued)

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

Reporting the Village as a Whole

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

Reporting the Village's Most Significant Funds

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

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Governmental Funds – Most of the Village’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village’s programs. The Village’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village’s major governmental funds are the General Fund, the Income Tax Fund and the Firehouse 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 services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has six enterprise funds, including the water, sewer and electric operating funds; storm water utility fund, utility deposits fund, and the sewer capital improvement fund, which is funded through income tax receipts. The water, sewer, and electric funds are classified as major funds.

The Village as a Whole

Table 1 provides a summary of the Village’s net assets for 2007 compared to 2006, on a modified cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:-						
Cash equivalents/ investments	\$ 2,356,521	\$ 2,112,470	\$ 7,748,126	\$ 7,774,306	\$ 10,104,647	\$ 9,886,776
Total assets	<u>\$ 2,356,521</u>	<u>\$ 2,112,470</u>	<u>\$ 7,748,126</u>	<u>\$ 7,774,306</u>	<u>\$ 10,104,647</u>	<u>\$ 9,886,776</u>
Net Assets:-						
Reserved for encumbrances	\$ 0	\$ 56,809	\$ 0	\$ 0	\$ 0	\$ 56,809
Restricted for:-						
Debt service	0	0	0	0	0	\$ 0
Capital outlay	688,927	226,028	0	0	688,927	226,028
Other purposes	398,971	345,942	0	0	398,971	345,942
Unrestricted	<u>1,268,623</u>	<u>1,483,691</u>	<u>7,748,126</u>	<u>7,774,306</u>	<u>9,016,749</u>	<u>9,257,997</u>
Total net assets	<u>\$ 2,356,521</u>	<u>\$ 2,112,470</u>	<u>\$ 7,748,126</u>	<u>\$ 7,774,306</u>	<u>\$ 10,104,647</u>	<u>\$ 9,886,776</u>

As mentioned previously, net assets of governmental activities increased \$244,051 or 11.6 percent during 2007. The primary reason contributing to this increase is additional interest made on investments.

Table 2 reflects the changes in net assets on a modified cash basis in 2007 and 2006 for governmental activities, business-type activities and total primary government.

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

(Table 2)
Changes in Net Assets

	Governmental		Business Type		Total	
	Activities		Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:-						
Program Receipts:-						
Charges for services and sales	\$ 98,445	\$ 65,353	\$ 6,553,880	\$ 5,784,920	\$ 6,652,325	\$ 5,850,273
Capital grants and contributions	186,557	196,388	1,666	1,067	188,223	197,455
Total program receipts	285,002	261,741	6,555,546	5,785,987	6,840,548	6,047,728
General Receipts:-						
Property and other local taxes	344,775	421,415	0	0	344,775	421,415
Income taxes	565,716	618,219	424,219	453,624	989,935	1,071,843
OWDA loan issued	0		391,959	1,844,558	391,959	1,844,558
Bonds issued	525,000	0	0	0	525,000	0
Premium on debt issued	7,536	0	0	0	7,536	0
Grants and entitlements	166,625	143,144	0	0	166,625	143,144
Interest	549,497	484,159	0	0	549,497	484,159
Miscellaneous	44,821	68,874	0	0	44,821	68,874
Total general receipts	2,203,970	1,735,811	816,178	2,298,182	3,020,148	4,033,993
Total receipts	2,488,972	1,997,552	7,371,724	8,084,169	9,860,696	10,081,721
Disbursements:-						
General government	584,571	492,664	0	0	584,571	492,664
Security of Persons and Property:-	748,998	708,116	0	0	748,998	708,116
Public health services	30,466	70,552	0	0	30,466	70,552
Leisure time activities	126,262	99,602	0	0	126,262	99,602
Community environment	32,283	31,174	0	0	32,283	31,174
Basic utilities	18,527	20,103	0	0	18,527	20,103
Transportation	315,566	188,650	0	0	315,566	188,650
Capital outlay	95,484	65,988	0	0	95,484	65,988
Principal retirement	20,441	19,522	0	0	20,441	19,522
Interest payments	1,971	2,890	0	0	1,971	2,890
Issuance costs	14,239	0	0	0	14,239	0
Other financing uses	0	-	0	0	0	-
Electric	0	0	6,093,207	6,628,490	6,093,207	6,628,490
Sewer	0	0	1,177,704	2,656,419	1,177,704	2,656,419
Storm water utility	0	0	38,378	52,793	38,378	52,793
Utility deposit	0	0	27,692	23,024	27,692	23,024
Water	0	0	317,036	338,225	317,036	338,225
Total disbursements	1,988,808	1,699,261	7,654,017	9,698,951	9,642,825	11,398,212
Excess (deficiency) before transfers	500,164	298,291	(282,293)	(1,614,782)	217,871	(1,316,491)
Transfers	(256,113)	(310,060)	256,113	310,060	0	0
Increase (decrease) in net assets	244,051	(11,769)	(26,180)	(1,304,722)	217,871	(1,316,491)
Net assets, Jan. 1,	2,112,470	2,124,239	7,774,306	9,079,028	9,886,776	11,203,267
Net assets, Dec. 31,	\$ 2,356,521	\$ 2,112,470	\$ 7,748,126	\$ 7,774,306	\$ 10,104,647	\$ 9,886,776

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Program receipts represent only 11.3 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to other governmental agencies for police services provided under contract.

General receipts represent 88.7 percent of the Village's total receipts, and of this amount, 40.7 percent are taxes. State and federal grants and entitlements make up 7.4 percent of the Village's general receipts. Other receipts such as investments earnings make up a large percentage (28.1 percent) of general receipts. The remaining receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 29.4 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Business-type Activities

Business type activities include the water, sewer and electric operations. The revenues are generated primarily from charges for services. In 2007, charges for services of \$6,553,880 accounted for 88.9 percent of the business-type revenues. The total expenses for the utilities were \$7,654,017. The Village had a decrease in net assets of \$26,180 for the business-type activities.

The Village's Funds

Total governmental funds had receipts of \$1,955,936, exclusive of other financing sources and disbursements of \$1,988,808, exclusive of other financing uses. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$245,383 as the result of increased costs for salaries and benefits and not achieving anticipated growth in income and property tax receipts. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

All business-type funds had operating expenses of \$7,064,013 which was more than total revenues of \$6,553,880 by \$510,133 or 7.8 percent of operating revenues.

General Fund Budgeting Highlights

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

During 2007, the Government amended its General Fund budget one time to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements (exclusive of other financing sources) were budgeted at \$1,823,395 while actual disbursements were \$1,489,113. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$245,383 for 2007.

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2007, the Village's outstanding debt (excluding capital leases) was \$4,708,883. Long-term debt was comprised of loans from OWDA, OPWC, and AMP-Ohio for various capital improvement projects. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

(Table 3)
Outstanding Debt, at December 31,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Obligation Bonds	\$ 525,000	\$ 0	\$ 0	\$ 0	\$ 525,000	\$ 0
AMP- Ohio	0	0	600,000	825,000	600,000	825,000
OPWC Loan	0	0	505,608	548,477	505,608	548,477
OWDA Loans	0	0	3,078,275	2,870,377	3,078,275	2,870,377
Total expenses	<u>\$ 525,000</u>	<u>\$ 0</u>	<u>\$ 4,183,883</u>	<u>\$ 4,243,854</u>	<u>\$ 4,708,883</u>	<u>\$ 4,243,854</u>

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

During 2006, the Village entered into a loan agreement with Ohio Water Development Authority (OWDA) in the amount of \$2,240,415. The proceeds of this loan are being used for a waterline extension project that was mandated by the Ohio Environmental Protection Agency. As of December 31, 2007, the Village had drawn down \$2,236,516.

During 2005, the Village entered into a loan agreement with OWDA in the amount of \$2,262,017. The proceeds of this loan are being used for a waterline extension project.

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

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

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

**VILLAGE OF CAREY
WYANDOT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Contacting the Village's Financial Management

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

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS:-			
Equity in pooled cash and cash equivalents	\$ 2,356,521	\$ 7,748,126	\$ 10,104,647
Total assets	<u>\$ 2,356,521</u>	<u>\$ 7,748,126</u>	<u>\$ 10,104,647</u>
NET ASSETS:-			
Restricted for:-			
Capital outlay	\$ 688,927	\$ 0	\$ 688,927
Other purposes	398,971	0	398,971
Unrestricted	<u>1,268,623</u>	<u>7,748,126</u>	<u>9,016,749</u>
Total net assets	<u>\$ 2,356,521</u>	<u>\$ 7,748,126</u>	<u>\$ 10,104,647</u>

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2007

	<u>General</u>	<u>Income Tax Fund</u>	<u>Firehouse</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 898,464	\$ 370,159	\$ 518,297	\$ 569,601	\$ 2,356,521
Total Assets	<u>\$ 898,464</u>	<u>\$ 370,159</u>	<u>\$ 518,297</u>	<u>\$ 569,601</u>	<u>\$ 2,356,521</u>
Fund Balances					
Unreserved and reported in:-					
General fund	\$ 898,464	\$ 0	\$ 0	\$ 0	\$ 898,464
Income tax fund	0	370,159	0	0	370,159
Special revenue funds	0	0	0	398,971	398,971
Capital project funds	<u>0</u>	<u>0</u>	<u>518,297</u>	<u>170,630</u>	<u>688,927</u>
Total fund balances	<u>\$ 898,464</u>	<u>\$ 370,159</u>	<u>\$ 518,297</u>	<u>\$ 569,601</u>	<u>\$ 2,356,521</u>

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
ASSETS:-					
Equity in pooled cash and cash equivalents	\$ <u>931,017</u>	\$ <u>2,287,643</u>	\$ <u>3,912,107</u>	\$ <u>617,359</u>	\$ <u>7,748,126</u>
Total assets	\$ <u><u>931,017</u></u>	\$ <u><u>2,287,643</u></u>	\$ <u><u>3,912,107</u></u>	\$ <u><u>617,359</u></u>	\$ <u><u>7,748,126</u></u>
NET ASSETS:-					
Unrestricted	\$ <u>931,017</u>	\$ <u>2,287,643</u>	\$ <u>3,912,107</u>	\$ <u>617,359</u>	\$ <u>7,748,126</u>
Total net assets	\$ <u><u>931,017</u></u>	\$ <u><u>2,287,643</u></u>	\$ <u><u>3,912,107</u></u>	\$ <u><u>617,359</u></u>	\$ <u><u>7,748,126</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Cash			Net (Disbursements) Receipts and		
	Cash	Charges for	Operating	Changes in Net Assets		
	Disbursements	Services and Sales	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:-						
General government	\$ 584,571	\$ 18,536	\$ 0	\$ (566,035)	\$ 0	\$ (566,035)
Security of persons and property	748,998	23,183	0	(725,815)	0	(725,815)
Public health	30,466	23,113	0	(7,353)	0	(7,353)
Leisure time activities	126,262	33,613	3,280	(89,369)	0	(89,369)
Community and economic development	32,283	0	0	(32,283)	0	(32,283)
Basic utility services	18,527	0	0	(18,527)	0	(18,527)
Transportation	315,566	0	183,277	(132,289)	0	(132,289)
Capital outlay	95,484	0	0	(95,484)	0	(95,484)
Debt Service:-						
Principal retirement	20,441	0	0	(20,441)	0	(20,441)
Interest and fiscal charges	1,971	0	0	(1,971)	0	(1,971)
Issuance costs	14,239	0	0	(14,239)	0	(14,239)
Total governmental activities	<u>\$ 1,988,808</u>	<u>\$ 98,445</u>	<u>\$ 186,557</u>	<u>\$ (1,703,806)</u>	<u>\$ 0</u>	<u>\$ (1,703,806)</u>
PROPRIETARY ACTIVITIES:-						
Electric	\$ 6,093,207	\$ 5,700,824	\$ 0	\$ 0	\$ (392,383)	\$ (392,383)
Sewer	1,177,704	427,516	1,666	0	(748,522)	(748,522)
Storm water utility	38,378	66,738	0	0	28,360	28,360
Utility deposit	27,692	37,170	0	0	9,478	9,478
Water	317,036	321,632	0	0	4,596	4,596
Total business-type activities	<u>\$ 7,654,017</u>	<u>\$ 6,553,880</u>	<u>\$ 1,666</u>	<u>\$ 0</u>	<u>\$ (1,098,471)</u>	<u>\$ (1,098,471)</u>
Total	<u>\$ 9,642,825</u>	<u>\$ 6,652,325</u>	<u>\$ 188,223</u>	<u>\$ (1,703,806)</u>	<u>\$ (1,098,471)</u>	<u>\$ (2,802,277)</u>
GENERAL RECEIPTS:-						
Property and other local taxes				\$ 88,662	\$ 0	\$ 88,662
Income taxes				565,716	424,219	989,935
Other local taxes				256,113	0	256,113
Unrestricted grants and entitlements				166,625	0	166,625
Bonds issued				525,000	0	525,000
OWDA loan issued				0	391,959	391,959
Premium on debt issue				7,536	0	7,536
Sale of fixed assets				500	0	500
Investment earnings				549,497	0	549,497
Miscellaneous				44,321	0	44,321
Total general receipts				2,203,970	816,178	3,020,148
Transfers				(256,113)	256,113	0
Total general receipts and transfers				1,947,857	1,072,291	3,020,148
Change in net assets				244,051	(26,180)	217,871
Net assets beginning of year				2,112,470	7,774,306	9,886,776
Net assets at end of year				<u>\$ 2,356,521</u>	<u>\$ 7,748,126</u>	<u>\$ 10,104,647</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CAREY
WYANDOT COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
RECEIPTS:-					
Charges for services	\$ 321,632	\$ 427,516	\$ 5,700,824	\$ 103,908	\$ 6,553,880
Total receipts	321,632	427,516	5,700,824	103,908	6,553,880
DISBURSEMENTS:-					
Operating disbursements:-					
Personal services	205,907	297,482	501,224	0	1,004,613
Travel	306	452	2,473	0	3,231
Contractual services	41,301	59,363	5,178,003	55,155	5,333,822
Materials and supplies	30,575	57,035	78,266	10,915	176,791
Capital outlay	38,947	442,568	64,041	0	545,556
Non-Operating Disbursements:-					
Principal payments	0	226,930	225,000	0	451,930
Interest and fiscal charges	0	93,874	44,200	0	138,074
Total disbursements	317,036	1,177,704	6,093,207	66,070	7,654,017
NON-OPERATING RECEIPTS:-					
OWDA loan proceeds	0	391,959	0	0	391,959
Taxes	0	424,219	0	0	424,219
Intergovernmental	0	1,666	0	0	1,666
Transfers - in	0	0	256,113	0	256,113
Total other financing sources (uses)	0	817,844	256,113	0	1,073,957
Net change in fund balances	4,596	67,656	(136,270)	37,838	(26,180)
Fund balances beginning of year	926,421	2,219,987	4,048,377	579,521	7,774,306
Fund balances end of year	<u>\$ 931,017</u>	<u>\$ 2,287,643</u>	<u>\$ 3,912,107</u>	<u>\$ 617,359</u>	<u>\$ 7,748,126</u>

See accompanying notes to the basic financial statements

VILLAGE OF CAREY
WYANDOT COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
RECEIPTS:-				
Other local taxes	\$ 340,000	\$ 340,000	\$ 256,113	\$ (83,887)
Property taxes	83,024	83,024	88,662	5,638
Charges for services	11,150	11,150	11,178	28
Licenses and permits	3,250	3,250	1,942	(1,308)
Fines and forfeitures	9,400	9,400	10,783	1,383
Intergovernmental	151,826	151,826	163,255	11,429
Interest	424,862	424,912	539,539	114,627
Rent	10,000	10,000	11,550	1,550
Other	20,000	70,000	44,321	(25,679)
Total receipts	1,053,512	1,103,562	1,127,343	23,781
DISBURSEMENTS:-				
Current:-				
General government	652,947	582,947	528,994	53,953
Security of persons and property	911,693	911,693	747,865	163,828
Public health	15,000	15,000	10,451	4,549
Community and economic development	60,399	60,399	32,283	28,116
Basic utility services	29,000	29,000	18,527	10,473
Transportation	174,356	224,356	150,993	73,363
Total disbursements	1,843,395	1,823,395	1,489,113	334,282
OTHER FINANCING SOURCES (USES):-				
Sale of assets	1,000	1,000	500	(500)
Transfers in	432,000	432,000	462,000	30,000
Transfers out	(624,194)	(624,194)	(346,113)	278,081
Total other financing sources	(191,194)	(191,194)	116,387	307,581
Net change in fund balance	(981,077)	(911,027)	(245,383)	665,644
Fund balance beginning of year	1,143,847	1,143,847	1,143,847	0
Prior year encumbrances appropriated	56,809	56,809	56,809	0
Fund balance end of year	\$ 219,579	\$ 289,629	\$ 955,273	\$ 665,644

See accompanying notes to the basic financial statements

**VILLAGE OF CAREY
WYANDOT COUNTY**
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 640,000	\$ 541,800	\$ 565,716	\$ 23,916
Intergovernmental	0	0	3,370	3,370
Total receipts	<u>640,000</u>	<u>541,800</u>	<u>569,086</u>	<u>27,286</u>
DISBURSEMENTS:-				
General government	48,654	98,654	55,577	43,077
Total disbursements	<u>48,654</u>	<u>98,654</u>	<u>55,577</u>	<u>43,077</u>
OTHER FINANCING SOURCES (USES):-				
Municipal income tax - capital improvement 10%	(54,000)	(54,000)	(54,000)	0
Municipal income tax - parks 10%	(54,000)	(54,000)	(54,000)	0
Municipal income tax - general fund 80%	(432,000)	(432,000)	(432,000)	0
Total other financing sources	<u>(540,000)</u>	<u>(540,000)</u>	<u>(540,000)</u>	<u>0</u>
Net change in fund balance	51,346	(96,854)	(26,491)	70,363
Fund balance beginning of year	396,650	396,650	396,650	0
Prior year encumbrances appropriated	0	0	0	0
Fund balance end of year	<u>\$ 447,996</u>	<u>\$ 299,796</u>	<u>\$ 370,159</u>	<u>\$ 70,363</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - REPORTING ENTITY:-

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

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

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

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

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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

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

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

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

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

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

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

Income Tax -The Income Tax Fund is a special revenue fund in which a one percent tax is used to fund capital improvements, the park system, and the general fund. An additional ½ percent income tax authorized, by council action, is used to fund the sewer debt retirement fund.

Firehouse Capital Projects -The Firehouse Fund is used to account for revenues and expenses related to the construction of a new firehouse.

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

Proprietary Funds

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

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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

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

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

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

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

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

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

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

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

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

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

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

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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

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

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

During 2007, the Village invested in Federal Home Loan Bank Discount Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes. All investments are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 amounted to \$574,902, which includes \$519,998 credited to other Village funds.

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

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

Inventories resulting from cash transactions are presented at cost on a first-in, first-out basis and are reported as disbursements when used. Prepaid items are reported as disbursements when consumed.

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

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

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

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

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

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

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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

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

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

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING:-

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General Fund and Income Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances and are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The Village did not have any outstanding encumbrances at year end.

NOTE 4 - DEPOSITS AND INVESTMENTS:-

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

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS:- (continued)

Interim monies held by the Village can be deposited or invested in the following securities:

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

Deposits

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

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS:- (continued)

At year end, the carrying amount of the Village's deposits was \$6,604,687. Based on the criteria described in the GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2007, \$6,494,515 of the Village's bank balance of \$6,694,515 was exposed to custodial credit risk, as discussed above, while \$200,000.00 was covered by Federal Depository Insurance Corporation.

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

Investments

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

As of December 31, 2007, the Village had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>18 to 24 Months</u>
FHLB DN	\$ 494,688	\$ 494,688	\$ 0	\$ 0	\$ 0
FHLB	1,494,731	490,854	494,838	0	509,039
FHLMC	502,226	0	0	502,226	0
FNMA	1,008,311	0	0	1,008,311	0
Total investments	\$ <u>3,499,956</u>	\$ <u>985,542</u>	\$ <u>494,838</u>	\$ <u>1,510,537</u>	\$ <u>509,039</u>

Interest Rate Risk

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

Credit Risk

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

VILLAGE OF CAREY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS:- (continued)

Concentration of Credit Risk

The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Village at December 31, 2007:

<u>Investment Type</u>	<u>Value</u>	<u>Percent of Total</u>
FHLB DN	\$ 494,688	14.13%
FHLB	1,494,731	42.71%
FHLMC	502,226	14.35%
FNMA	1,008,311	28.81%
Total investments	<u>\$ 3,499,956</u>	<u>100.00%</u>

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

NOTE 5 - INCOME TAXES:-

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

NOTE 6 - PROPERTY TAXES:-

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 6 - PROPERTY TAXES:- (continued)

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$1.90 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:-	
Residential	\$ 36,325,470
Agriculture	45,290
Commercial/ Industrial/ Mineral	8,651,360
Public Utility Property:-	
Real	17,030
Personal	623,040
Tangible personal property	<u>4,865,310</u>
Total assessed value	<u><u>\$ 50,527,500</u></u>

NOTE 7 - RISK MANAGEMENT:-

The Village is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage - PEP retains up to \$250,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporations.

If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage - PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$300,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence.

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7 - RISK MANAGEMENT:- (continued)

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

Financial Position - PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities, and unrestricted net assets at December 31 2007 and 2006:

	2007	2006
Assets	\$ 37,560,071	\$ 36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained earnings	\$ 20,219,246	\$ 19,384,290

NOTE 8 - DEFINED BENEFIT PENSION PLAN:-

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

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

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

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9.75 percent. The Village's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 17.17 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 - DEFINED BENEFIT PENSION PLAN:- :- (continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$165,126, \$133,882 and \$98,681, respectively. The full amount has been contributed for 2007, 2006 and 2005.

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to fund pension benefits for the years ended December 31, 2007, 2006, and 2005 were \$44,975, \$46,048, and \$26,862, respectively. The full amount has been contributed for 2007, 2006 and 2005.

NOTE 9 - POST EMPLOYMENT BENEFITS:-

Ohio Public Employees Retirement System - The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement), 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and four percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. The actual contributions for 2007 which were used to fund post-employment benefits were \$54,244. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

**VILLAGE OF CAREY
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 9 - POST EMPLOYMENT BENEFITS:- (continued)

Ohio Police and Fire Pension Fund - The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

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

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

The Village's actual contributions for 2007 that were used to fund post-employment health care benefits for police were \$15,561 for police. Combined employer and member contributions to the OP&FPF for the year ending December 31, 2006 (the latest information available), was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

NOTE 10 - DEBT:-

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>	<u>Final Payment</u>
Ohio Water Development Authority Loan #1	\$ 362,079	7.11%	1/1/2013
Ohio Water Development Authority Loan #2	530,905	8.26%	7/1/2013
Ohio Water Development Authority Loan #3	2,185,291	1.00%	1/1/2027
Ohio Public Works Commission Loan	505,608	0.02%	7/1/2018
American Municipal Power-Ohio Loan	600,000	1.65%-5.0%	8/1/2010
Firehouse Bonds	<u>525,000</u>	3.75%-4.0%	12/1/2017
Total	<u>\$ 4,708,883</u>		

During 2007, the Village issued \$525,000 of general obligation bonds for the purpose of constructing a new firehouse. The Village received 4532,536 in bond proceeds, which included a premium of \$7,536.

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. These loans totaled \$2,318,485, which will be repaid in semi-annual payments with sewer receipts.

During 2005, the Village entered into a loan agreement with OWDA in the amount of \$2,262,017. The proceeds of this loan are being used for a waterline extension project. As of December 31, 2007, the Village had drawn down \$2,236,516. The Village began repaying the loan in 2007. The loan is not fully drawn down, therefore a final amortization schedule is not available.

**VILLAGE OF CAREY
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 10 - DEBT:- (continued)

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

During 2002, the Village entered into a loan agreement with American Municipal Power-Ohio (AMP-Ohio) in the amount of \$1,500,000. The purpose of this loan was for an electric system improvement project. The loan is collateralized by electric system receipts. The loan is renewable each year at a new interest rate, and will mature in 2010.

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

Year ending December 31:	OWDA Loan 1		OWDA Loan 2		OPWC Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 62,829	\$ 25,744	\$ 80,305	\$ 43,853	\$ 43,731	\$ 9,895
2009	67,296	21,277	86,938	37,220	44,610	9,016
2010	72,081	16,492	94,119	30,039	45,507	8,119
2011	77,206	11,367	101,893	22,264	46,421	7,204
2012	82,666	5,937	110,310	13,848	47,354	6,271
2013-2017	0	0	57,341	4,737	251,438	16,690
2018-2022	0	0	0	0	26,547	265
Total	\$ 362,078	\$ 80,817	\$ 530,906	\$ 151,961	\$ 505,608	\$ 57,460

Year ending December 31:	AMP Ohio Bond		Firehouse Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 225,000	\$ 29,617	\$ 45,000	\$ 18,297	\$ 456,865	\$ 127,406
2009	225,000	18,750	45,000	18,294	468,844	104,557
2010	150,000	7,500	50,000	16,606	411,707	78,756
2011	0	0	50,000	14,732	275,520	55,567
2012	0	0	50,000	12,856	290,330	38,912
2013-2017	0	0	285,000	33,880	593,779	55,307
2018-2022	0	0	0	0	26,547	265
Total	\$ 600,000	\$ 55,867	\$ 525,000	\$ 114,665	\$ 2,523,592	\$ 460,770

The Village also entered into a waterline extension project agreement with the Water and Sewer Rotary Commission whereby the Commission advanced \$90,000 to the Village for an indefinite term beginning Nov. 30, 2001. The purpose of this agreement is to promote the development of the Village by providing utility service to undeveloped property located in certain agricultural districts within the Village. Repayment of the amount advanced will be determined by the date in which the use of such property

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007**

NOTE 10 - DEBT:- (continued)

has been changed pursuant to Ohio Revised Code Section 929.03(D). The Village shall, upon such change in use, collect from the property owner an assessment for the portion of changed property and make repayment to the Commission in the full amount of the assessment. A change in use occurred during 2005 and the Village collected from the property owner an assessment of \$33,311 for the portion of changed property and a payment was made to the Commission in the full amount of the assessment. The balance of the advance was \$56,689 at December 31, 2007.

NOTE 11 - LEASES:-

On January 19, 2004, the Village entered into a \$104,922 lease purchase agreement for a new Elgin street sweeper. Five annual payments of \$22,412 are due in May of each year until the lease is retired. The price of the equipment is \$102,422 plus 4.71 percent interest for a total cost of \$112,060. Future Lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 22,412
Less interest	<u>(1,008)</u>
Total	\$ <u>21,404</u>

NOTE 12 - INTERFUND TRANSFERS:-

During 2007, the following transfers were made:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General	\$ 316,113	\$ 432,000
Income Tax	540,000	0
Other Governmental Funds:		
Capital Improvement	0	54,000
Electric	0	256,113
Parks and Recreation	<u>0</u>	<u>114,000</u>
Total	\$ <u>856,113</u>	\$ <u>856,113</u>

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

**VILLAGE OF CAREY
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007**

NOTE 13 - CONSTRUCTION AND CONTRACTUAL COMMITMENTS:-

Typically, the Village attempts to complete all construction and consulting contracts before year-end, however, the following projects extended beyond calendar year end 2007:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2007</u>
CTI Engineers - Streetscape engineering	\$ 40,000	\$ 39,402	\$ 598
Jones & Henry Engineering - Waste Water treatment plant rehab engineering	<u>169,500</u>	<u>167,563</u>	<u>1,937</u>
Total	<u>\$ 209,500</u>	<u>\$ 206,965</u>	<u>\$ 2,535</u>



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Village Council
Village of Carey
Wyandot County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2007, and have issued our report thereon dated May 20, 2009, wherein we noted the Village had followed the modified-cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 2007-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village in a separate letter dated May 20, 2009.

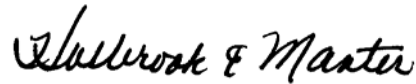
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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



Certified Public Accountants

May 20, 2009

**VILLAGE OF CAREY
WYANDOT COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-001
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Significant Deficiency - Internal Control and Review Procedures

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

In addition, during our testing and analysis, we noted that the Village Council is not reviewing the investment earnings entries to verify the proper amounts are being recorded. It was also noted that they are not properly reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

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

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

Officials' Response

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

**VILLAGE OF CAREY
 WYANDOTCOUNTY
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Significant Deficiency- Internal Control and Review Procedures	No	Reissued as a finding in current year as finding #2007-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF CAREY

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2009