



Dave Yost • Auditor of State



VILLAGE OF CAREY  
WYANDOT COUNTY  
DECEMBER 31, 2016

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Carey  
Wyandot County  
127 North Vance Street  
Carey, Ohio 43316-1056

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio, as of December 31, 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 6, 2018

**Village of Carey**  
**Wyandot County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(UNAUDITED)*

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This discussion and analysis of the Village of Carey's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2016, 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 2016 are as follows:

- In total, net position increased \$695,281. Net position of governmental activities decreased \$71,907, which represents a 5 percent decrease from 2015. Net position of business-type activities increased \$767,188 or 9 percent from 2015.
- The Village's general receipts accounted for \$2,583,748 or 22 percent of all receipts. Program specific receipts in the form of charges of services and sales and operating and capital grants, contributions and interest accounted for \$8,935,676 or 78 percent of total receipts of \$11,519,424.
- Total program disbursements were \$10,824,143; \$1,970,061 in governmental activities and \$8,854,082 in business-type activities.
- Outstanding debt increased from \$5,731,062 to \$5,740,212 due to additional borrowing by the Village.

***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 position 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 Fund is the most significant governmental 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.

**Village of Carey**  
**Wyandot County, Ohio**  
*Management's Discussion and Analysis*  
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**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.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (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 of Carey as a Whole***

*Statement of Net Position and the Statement of Activities*

*The Statement of Net Position and the Statement of Activities* reflect how the Village did financially during 2016, within the limitations of cash basis accounting. The statement of net position 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 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 receipt sources such as property and income taxes.

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

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

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



**Village of Carey**  
**Wyandot County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
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***Reporting the Village of Carey'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 a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental fund is the General Fund. The programs reported in 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 of Carey as a Whole***

Table 1 provides a summary of the Village's net position for 2016 compared to 2015 on a cash basis:

Table 1  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Cash and Cash Equivalents	\$ 1,440,598	\$ 1,512,505	\$ 9,085,445	\$ 8,318,257	\$ 10,526,043	\$ 9,830,762
<b>Net Position</b>						
Restricted	\$ 448,038	\$ 483,178	\$ 0	\$ 0	\$ 448,038	\$ 483,178
Unrestricted	992,560	1,029,327	9,085,445	8,318,257	10,078,005	9,347,584
<i>Total Net Position</i>	<u>\$ 1,440,598</u>	<u>\$ 1,512,505</u>	<u>\$ 9,085,445</u>	<u>\$ 8,318,257</u>	<u>\$ 10,526,043</u>	<u>\$ 9,830,762</u>

In 2016, total net position increased \$695,281. The primary reason contributing to this increase was the increase in operating receipts and reduction of disbursements in business – type activities.

**Village of Carey**  
**Wyandot County, Ohio**  
*Management's Discussion and Analysis*  
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Table 2 reflects the changes in net position on a cash basis in 2016 and 2015 for governmental activities, business-type activities and total primary government.

Table 2  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Receipts</b>						
<i>Program Receipts</i>						
Charges for Services and Sales	\$ 106,164	\$ 98,718	\$ 8,597,837	\$ 8,054,687	\$ 8,704,001	\$ 8,153,405
Operating Grants, Contributions and Interest	229,570	260,229	2,105	611	231,675	260,840
Capital Grants and Contributions	0	0	0	235,000	0	235,000
<i>Total Program Receipts</i>	<u>335,734</u>	<u>358,947</u>	<u>8,599,942</u>	<u>8,290,298</u>	<u>8,935,676</u>	<u>8,649,245</u>
<i>General Receipts</i>						
Property Taxes	76,843	74,101	0	0	76,843	74,101
Income Taxes	1,020,266	986,709	607,560	653,699	1,627,826	1,640,408
Other Local Taxes	311,264	301,722	0	0	311,264	301,722
OPWC Loan Issued	0	0	0	57,774	0	57,774
Proceeds of Loans	8,966	0	407,640	3,434,463	416,606	3,434,463
Bonds Issued	0	0	0	740,000	0	740,000
Grants and Entitlements	69,110	109,532	0	0	69,110	109,532
Investment Earnings	37,100	31,718	0	0	37,100	31,718
Sale of Assets	0	18,500	0	0	0	18,500
Miscellaneous	38,871	50,756	6,128	234	44,999	50,990
<i>Total General Receipts</i>	<u>1,562,420</u>	<u>1,573,038</u>	<u>1,021,328</u>	<u>4,886,170</u>	<u>2,583,748</u>	<u>6,459,208</u>
<i>Total Receipts</i>	<u>1,898,154</u>	<u>1,931,985</u>	<u>9,621,270</u>	<u>13,176,468</u>	<u>11,519,424</u>	<u>15,108,453</u>
<b>Disbursements</b>						
General Government	306,208	258,105	0	0	306,208	258,105
Security of Persons and Property	1,060,752	1,066,471	0	0	1,060,752	1,066,471
Public Health	25,186	21,662	0	0	25,186	21,662
Leisure Time Activities	84,376	85,930	0	0	84,376	85,930
Community and Economic Develop	5,416	5,396	0	0	5,416	5,396
Basic Utilities	3,100	3,715	0	0	3,100	3,715
Transportation	195,913	221,223	0	0	195,913	221,223
Capital Outlay	224,385	93,384	0	0	224,385	93,384
Principal Retirement	60,000	59,243	0	0	60,000	59,243
Interest and Fiscal Charges	4,725	7,038	0	0	4,725	7,038
Electric	0	0	7,568,919	10,090,831	7,568,919	10,090,831
Recycling	0	0	68,776	33,674	68,776	33,674
Sewer	0	0	637,284	889,936	637,284	889,936
Storm Water utility	0	0	77,011	688,824	77,011	688,824
Utility Deposit	0	0	31,697	31,992	31,697	31,992
Water	0	0	378,768	748,578	378,768	748,578
Utility Sinking	0	0	91,627	0	91,627	0
<i>Total Disbursements</i>	<u>1,970,061</u>	<u>1,822,167</u>	<u>8,854,082</u>	<u>12,483,835</u>	<u>10,732,516</u>	<u>14,306,002</u>
<i>Change in Net Position</i>	<u>(71,907)</u>	<u>109,818</u>	<u>767,188</u>	<u>692,633</u>	<u>695,281</u>	<u>802,451</u>
<i>Net Position at Beginning of year</i>	<u>1,512,505</u>	<u>1,402,687</u>	<u>8,318,257</u>	<u>7,625,624</u>	<u>9,830,762</u>	<u>9,028,311</u>
<i>Net Position at End of year</i>	<u>\$ 1,440,598</u>	<u>\$ 1,512,505</u>	<u>\$ 9,085,445</u>	<u>\$ 8,318,257</u>	<u>\$ 10,526,043</u>	<u>\$ 9,830,762</u>

**Village of Carey**  
**Wyandot County, Ohio**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

Program receipts represent only 18 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 82 percent of the Village's total receipts, and of this amount, 90 percent are taxes. State and federal grants and entitlements make up 4 percent of the Village's general receipts. Other receipts, such as investments earnings, make up a small percentage (5 percent) of general receipts.

Disbursements for general government represent the costs of running the Village and the support services provided for the other government activities. These include the costs of the Mayor, Council, Village Administrator, Fiscal Officer 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 7 percent of general fund unrestricted receipts.

Security of persons and property are the costs of police and fire protection and represent the largest disbursement of government activities. The disbursement of \$1,060,752 represents 54 percent of the total disbursements. Transportation and capital outlay had disbursements of \$195,913 and \$224,385 in 2016 equaling 10 and 11 percent of the total governmental service disbursements.

**Business-type Activities**

Business-type activities include water, sewer, electric, storm water, utility deposit, and recycling operations. The receipts are generated primarily from charges for services. In 2016, capital grants decreased by \$235,000 due to fact the Village received a grant from the Ohio Public Works Commission (OPWC) in 2015.

The total disbursements for the utilities decreased from \$12,483,835 to \$8,854,082 in 2016. This decrease is due to the purchase of a building to house the public works and electric departments and improvements made to the Village's municipal electric system in 2015. The decrease in general receipts is due to additional debt proceeds in 2015. The Village had an increase in net position of \$767,188 for the business-type activities.

***The Village's Funds***

Total governmental funds had receipts of \$1,889,188, exclusive of other financing sources, and disbursements of \$1,970,061. The fund balance of the general fund decreased \$104,413 for year end 2016.

All business-type funds had operating disbursements of \$8,392,851 which were less than operating receipts of \$8,601,059 by \$208,208.

**Village of Carey**  
**Wyandot County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
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**General Fund Budgeting Highlights**

The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly receipts.

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.

Budgeted receipts remained relatively the same during the year. The final budgeted receipts and other financing sources of \$1,473,810 were \$24,756 higher than actual receipts and other financing sources of \$1,449,054. This change was mainly due to income tax receipts being lower than anticipated.

Final disbursements were budgeted at \$2,061,621 while actual disbursements came in at \$1,553,467, as cost savings were recognized during the year. The fund balance decreased \$104,413 during 2016.

**Debt Administration**

**Debt**

At December 31, 2016, the Village's outstanding debt was \$5,740,212. Table 3 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 68,966	\$ 120,000	\$ 0	\$ 0	\$ 68,966	\$ 120,000
Revenue Bonds	0	0	592,000	666,000	592,000	666,000
AMP Loan	0	0	3,695,028	3,387,388	3,695,028	3,387,388
OPWC Loan	0	0	130,853	187,908	130,853	187,908
OWDA Loans	0	0	1,253,365	1,369,766	1,253,365	1,369,766
<i>Total</i>	<u>\$ 68,966</u>	<u>\$ 120,000</u>	<u>\$ 5,671,246</u>	<u>\$ 5,611,062</u>	<u>\$ 5,740,212</u>	<u>\$ 5,731,062</u>

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*  
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***Current Issues***

The 2016 income taxes showed a downward trend, with the General Fund seeing a decrease of about 5.2 percent (\$46,313) over 2015 levels.

This was a year of tackling new projects, both small and large. The Village investigated implementation of a new, cellular based Automated Meter Reading system for both water & electric meters. A small pilot was instituted and has proved to be technologically functional. Continued attention to elements of the water distribution system have been evidenced. Additional hydrant and valve work continues, including rebuilding instead of replacing where cost effective. The responses to the wastewater treatment plant RFQ and subsequent detailed review will make it possible to move forward with preliminary design evaluations early in 2017, addressing both present and near term treatment requirements. The completion and opening of the new school has been achieved by the Carey Exempted Village School District and has proven to be a smooth transition for the Village. Additional construction at the site for athletics and a bus garage continue. The Village applied for and was successful in obtaining additional grant funding for a new Issue I, Small Government Commission project to rehabilitate two of our sanitary lift stations using advanced controllers and a new, more efficient type of pump to handle the required flows. As part of an economic development project related to the Arrowhead Commerce Park, the Village was awarded a combination \$164,100 grant by ODSA & ODOT to make roadway improvements to allow for better truck ingress and egress at Arrowhead Drive and to add a turn lane to CH 98 at E Findlay Street.

We saw the completion of the comprehensive review of the new CSP Electric Substation project by The Economic Development Administration engineering department, which allowed us to move forward with the bid process, gave us an extension on the grant timeframe, but reduced the cost of the project from the original estimates due to a scope change and the decision to incorporate the voltage conversion which increased available capacity of the distribution system. Therefore, the amount of the grant assistance, which was a percentage of cost was also reduced from \$1.5M to \$1.31M. Separately, we saw the new anchor tenant for Arrowhead Commerce Park: HANON, LLC take up residence in 2016. They will have 24 months to meet their commitment of 140 new jobs and \$13M in investments. The first local business to take advantage of the Community Reinvestment Area incentives, Wagner Ford, broke ground on South Vance Street and completed construction of a new facility, which was completed at the end of December 2016, ready for occupancy in January 2017. This allowed for retention of 13 part time jobs and the expansion of 8 new full time jobs inside the Village.

The major equipment purchases were limited to two new police cruisers and the upgrading of some IT equipment and software, such as laptops for water, tablets for PWD & Electric Superintendent to track meter reading pilot program, several replacement monitors and printers in various departments and updating antivirus protection for all administrative, wastewater, public works, utility billing and electric computers. The one major exception was the financing of the fire truck purchase through USDA's Rural Development – Community Facilities program. We received a grant for \$104,140 and bonds were issued to pay the remaining \$868,900 as a loan over the next 10 years, with payments due twice per year.

No problems were experienced with the fire department operations during 2016. Crawford Township received their annual credit for \$17,500 and contributed \$6,500 for fire protection services and current operations per the negotiated Fire Contract in force. An existing 1996 International with a Pierce pumper body will be disposed of in Q2 2017 by sealed bids.

**Village of Carey**  
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The two (2) megawatt solar array installed on the Village owned well field property and operated by Solar Planet Power, continues to operate well and produce approximately 2.7 megawatt-hours for 2016, continuing to supplement and help diversify our power supply portfolio.

Electric Fund revenues may still need further adjustment to meet operating and maintenance costs. Council implemented the recommended rate increases but a new Cost of Service Study will be initiated using 2016 yearend data for verification. Water fund receipts are now beginning the fourth year of a four-step series of 20 percent per year increase to make that fund healthy again. Review of the resulting fund balance will be required here as well.

***Contacting the Government'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 Alisha Wentz, Fiscal Officer, Village of Carey, 127 N. Vance Street, Carey, Ohio 43316-1056, telephone 419-396-7681 or email [fiscalofficer@careyohio.org](mailto:fiscalofficer@careyohio.org).

**Village of Carey**  
**Wyandot County, Ohio**  
*Statement of Net Position - Cash Basis*  
*December 31, 2016*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,440,598	\$ 9,085,445	\$ 10,526,043
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$ 55,798	\$ 0	\$ 55,798
Other Purposes	392,240	0	392,240
Unrestricted	992,560	9,085,445	10,078,005
<i>Total Net Position</i>	<u>\$ 1,440,598</u>	<u>\$ 9,085,445</u>	<u>\$ 10,526,043</u>

See accompanying notes and accountant's compilation report.

**Village of Carey**  
**Wyandot County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General Government	\$ 306,208	\$ 19,015	\$ 0	\$ (287,193)	\$ 0	\$ (287,193)
Security of Persons and Property	1,060,752	29,166	22,030	(1,009,556)	0	(1,009,556)
Public Health	25,186	33,388	0	8,202	0	8,202
Leisure Time Activities	84,376	21,570	8,103	(54,703)	0	(54,703)
Community and Economic Development	5,416	3,025	0	(2,391)	0	(2,391)
Basic Utility Services	3,100	0	0	(3,100)	0	(3,100)
Transportation	195,913	0	199,437	3,524	0	3,524
Capital Outlay	224,385	0	0	(224,385)	0	(224,385)
Debt Service:						
Principal Retirement	60,000	0	0	(60,000)	0	(60,000)
Interest and Fiscal Charges	4,725	0	0	(4,725)	0	(4,725)
<i>Total Governmental Activities</i>	<u>1,970,061</u>	<u>106,164</u>	<u>229,570</u>	<u>(1,634,327)</u>	<u>0</u>	<u>(1,634,327)</u>
<b>Business Type-Activities</b>						
Electric	7,568,919	7,359,522	667	0	(208,730)	(208,730)
Recycling	68,776	53,850	0	0	(14,926)	(14,926)
Sewer	637,284	422,103	765	0	(214,416)	(214,416)
Storm Water Utility	77,011	197,674	0	0	120,663	120,663
Utility Deposit	31,697	34,883	0	0	3,186	3,186
Water	378,768	529,805	673	0	151,710	151,710
Utility Sinking	91,627	0	0	0	(91,627)	(91,627)
<i>Total Business-Type Activities</i>	<u>8,854,082</u>	<u>8,597,837</u>	<u>2,105</u>	<u>0</u>	<u>(254,140)</u>	<u>(254,140)</u>
<i>Total - Primary Government</i>	<u>\$ 10,824,143</u>	<u>\$ 8,704,001</u>	<u>\$ 231,675</u>	<u>(1,634,327)</u>	<u>(254,140)</u>	<u>(1,888,467)</u>
<b>General Receipts</b>						
Property Taxes Levied for						
General Purposes				76,843	0	76,843
Income Taxes Levied for						
General Purposes				841,725	0	841,725
Parks and Recreation				102,027	0	102,027
Capital Improvements				76,514	0	76,514
Debt Retirement				0	607,560	607,560
Other Local Taxes				311,264	0	311,264
Grants and Entitlements Not						
Restricted to Specific Programs				69,110	0	69,110
Proceeds of Loans				8,966	407,640	416,606
Investment Earnings				37,100	0	37,100
Miscellaneous				38,871	6,128	44,999
<i>Total General Receipts</i>				<u>1,562,420</u>	<u>1,021,328</u>	<u>2,583,748</u>
Transfers				0	0	0
<i>Total General Receipts and Transfers</i>				<u>1,562,420</u>	<u>1,021,328</u>	<u>2,583,748</u>
<i>Change in Net Position</i>				(71,907)	767,188	695,281
<i>Net Position Beginning of Year</i>				<u>1,512,505</u>	<u>8,318,257</u>	<u>9,830,762</u>
<i>Net Position End of Year</i>				<u>\$ 1,440,598</u>	<u>\$ 9,085,445</u>	<u>\$ 10,526,043</u>



**Village of Carey**  
**Wyandot County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 741,912	\$ 698,686	\$ 1,440,598
<b>Fund Balances</b>			
Restricted	\$ 0	\$ 448,038	\$ 448,038
Committed	0	250,648	250,648
Assigned	740,325	0	740,325
Unassigned	1,587	0	1,587
<i>Total Fund Balances</i>	\$ 741,912	\$ 698,686	\$ 1,440,598

See accompanying notes and accountant's compilation report.

**Village of Carey  
Wyandot County, Ohio**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*

*Governmental Funds*

*For the Year Ended December 31, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$ 76,843	\$ 0	\$ 76,843
Income Taxes	841,725	178,541	1,020,266
Other Local Taxes	311,264	0	311,264
Special Assessments	209	0	209
Charges for Services	15,438	51,148	66,586
Licenses and Permits	4,286	0	4,286
Fines and Forfeitures	9,144	4,443	13,587
Intergovernmental	69,112	209,429	278,541
Interest	37,100	699	37,799
Rent	17,686	3,810	21,496
Contributions and Donations	18,410	1,030	19,440
Other	38,871	0	38,871
<i>Total Receipts</i>	<u>1,440,088</u>	<u>449,100</u>	<u>1,889,188</u>
<b>Disbursements</b>			
Current:			
General Government	306,208	0	306,208
Security of Persons and Property	1,054,746	6,006	1,060,752
Public Health	6,297	18,889	25,186
Leisure Time Activities	0	84,376	84,376
Community and Economic Development	5,416	0	5,416
Basic Utility Services	3,100	0	3,100
Transportation	8,286	187,627	195,913
Capital Outlay	104,689	119,696	224,385
Debt Service:			
Principal Retirement	60,000	0	60,000
Interest and Fiscal Charges	4,725	0	4,725
<i>Total Disbursements</i>	<u>1,553,467</u>	<u>416,594</u>	<u>1,970,061</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(113,379)</u>	<u>32,506</u>	<u>(80,873)</u>
<b>Other Financing Sources</b>			
Loan Issued	8,966	0	8,966
<i>Net Change in Fund Balances</i>	(104,413)	32,506	(71,907)
<i>Fund Balances Beginning of Year</i>	<u>846,325</u>	<u>666,180</u>	<u>1,512,505</u>
<i>Fund Balances End of Year</i>	<u>\$ 741,912</u>	<u>\$ 698,686</u>	<u>\$ 1,440,598</u>

See accompanying notes and accountant's compilation report.

**Village of Carey**  
**Wyandot County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2016*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property Taxes	\$ 76,000	\$ 76,000	\$ 76,843	\$ 843
Other Local Taxes	300,000	300,000	311,264	11,264
Income Taxes	889,000	889,000	841,725	(47,275)
Special Assessments	1,600	1,600	209	(1,391)
Charges for Services	14,100	14,100	15,438	1,338
Licenses and Permits	3,600	3,600	4,286	686
Fines and Forfeitures	7,000	7,000	9,144	2,144
Intergovernmental	70,410	70,410	69,112	(1,298)
Interest	18,100	18,100	37,100	19,000
Rent	16,000	16,000	17,686	1,686
Gifts and Contributions	15,000	15,000	18,410	3,410
Other	60,000	60,000	38,871	(21,129)
<i>Total Receipts</i>	<u>1,470,810</u>	<u>1,470,810</u>	<u>1,440,088</u>	<u>(30,722)</u>
<b>Disbursements</b>				
Current:				
General Government	421,192	486,818	306,208	180,610
Security of Persons and Property	1,299,548	1,301,735	1,054,746	246,989
Public Health	12,000	8,000	6,297	1,703
Community and Economic Development	12,818	12,818	5,416	7,402
Basic Utility Services	4,000	5,000	3,100	1,900
Transportation	0	50,000	8,286	41,714
Capital Outlay	84,000	130,250	104,689	25,561
Debt Service:				
Principal Retirement	55,000	60,000	60,000	0
Interest and Fiscal Charges	12,000	7,000	4,725	2,275
<i>Total Disbursements</i>	<u>1,900,558</u>	<u>2,061,621</u>	<u>1,553,467</u>	<u>508,154</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(429,748)</u>	<u>(590,811)</u>	<u>(113,379)</u>	<u>477,432</u>
<b>Other Financing Sources</b>				
Sale of Assets	0	3,000	0	(3,000)
Loan Issued	0	0	8,966	8,966
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>3,000</u>	<u>8,966</u>	<u>5,966</u>
<i>Net Change in Fund Balance</i>	(429,748)	(587,811)	(104,413)	483,398
<i>Fund Balance Beginning of Year</i>	<u>846,325</u>	<u>846,325</u>	<u>846,325</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 416,577</u>	<u>\$ 258,514</u>	<u>\$ 741,912</u>	<u>\$ 483,398</u>

See accompanying notes and accountant's compilation report.

**Village of Carey**  
**Wyandot County, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2016*

	Business-Type Activities			Totals
	Sewer	Electric	Other Enterprise Funds	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,082,244</u>	<u>\$ 3,590,428</u>	<u>\$ 1,412,773</u>	<u>\$ 9,085,445</u>
<b>Net Position</b>				
Unrestricted	<u>\$ 4,082,244</u>	<u>\$ 3,590,428</u>	<u>\$ 1,412,773</u>	<u>\$ 9,085,445</u>

See accompanying notes and accountant's compilation report.

**Village of Carey**  
**Wyandot County, Ohio**  
*Statement of Receipts,*  
*Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2016*

	Business-Type Activities			Total Enterprise Funds
	Sewer	Electric	Other Enterprise Funds	
<b>Operating Receipts</b>				
Charges for Services	\$ 422,103	\$ 7,359,522	\$ 816,212	\$ 8,597,837
Other Operating Receipts	<u>0</u>	<u>3,222</u>	<u>0</u>	<u>3,222</u>
<i>Total Operating Receipts</i>	<u>422,103</u>	<u>7,362,744</u>	<u>816,212</u>	<u>8,601,059</u>
<b>Operating Disbursements</b>				
Personal Services	193,019	312,290	210,720	716,029
Employee Fringe Benefits	90,158	147,309	102,328	339,795
Travel	0	923	0	923
Contractual Services	78,033	6,425,370	83,055	6,586,458
Materials and Supplies	34,458	47,964	81,675	164,097
Capital Outlay	<u>46,462</u>	<u>460,613</u>	<u>78,474</u>	<u>585,549</u>
<i>Total Operating Disbursements</i>	<u>442,130</u>	<u>7,394,469</u>	<u>556,252</u>	<u>8,392,851</u>
<i>Operating Income (Loss)</i>	<u>(20,027)</u>	<u>(31,725)</u>	<u>259,960</u>	<u>208,208</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Other Non-Operating Revenues	0	0	2,906	2,906
Income Taxes	607,560	0	0	607,560
Intergovernmental	765	667	673	2,105
Proceeds from Loans	0	407,640	0	407,640
Principal Payments	(173,456)	(100,000)	(74,000)	(347,456)
Interest and Fiscal Charges	(15,754)	(74,450)	(17,627)	(107,831)
Other Non-Operating Expenses	<u>(5,944)</u>	<u>0</u>	<u>0</u>	<u>(5,944)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>413,171</u>	<u>233,857</u>	<u>(88,048)</u>	<u>558,980</u>
<i>Income Before Transfers</i>	393,144	202,132	171,912	767,188
Transfers In	0	0	91,627	91,627
Transfers Out	<u>(27,488)</u>	<u>(27,688)</u>	<u>(36,451)</u>	<u>(91,627)</u>
<i>Change in Net Position</i>	365,656	174,444	227,088	767,188
<i>Net Position Beginning of Year</i>	<u>3,716,588</u>	<u>3,415,984</u>	<u>1,185,685</u>	<u>8,318,257</u>
<i>Net Position End of Year</i>	<u>\$ 4,082,244</u>	<u>\$ 3,590,428</u>	<u>\$ 1,412,773</u>	<u>\$ 9,085,445</u>

See accompanying notes and accountant's compilation report.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**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 and other organizations that were included to ensure that the financial statements are not misleading.

***Primary Government***

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

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs 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 financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the levying of taxes or the issuance of debt. The Village does not have any 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**

As discussed further in Note 2.C., these financial statements are presented on a 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. Following are the more significant of the Village's accounting policies.

***A. Basis of Presentation***

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

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

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***Government-Wide Financial Statements***

The statement of net position 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position 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 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, 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.

***B. 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 funds of the Village 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 nonexchange transactions as governmental funds. The following is the Village's major governmental fund:

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

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**General Fund** 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, committed or assigned to a particular purpose.

**Proprietary Funds**

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

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

**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, recycling, storm water and utility deposits.

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. 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 a liability is incurred.

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



**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

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***D. Budgetary Process***

All funds are legally required to be budgeted and appropriated. 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. 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.

***E. 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 2016, the Village invested in certificates of deposits.

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 2016 amounted to \$37,100, which includes \$34,170 assigned from other Village funds.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

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***F. 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.

***G. 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.

***H. 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.

***I. 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.

***J. Pensions***

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***K. 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 another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

***L. Net Position***

Net position 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 position restricted for other purposes include primarily 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 positions are available.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

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***M. Fund Balance***

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.

***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 receipt; 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. The Village has by resolution authorized the Fiscal Officer to assign fund balance. The Village may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt and appropriations in the subsequent year’s appropriated budget.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

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***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 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.

***N. Interfund 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 interfund transfers. Interfund 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.

**Note 3 - Implementation of New Accounting Principles**

For the year ended December 31, 2016, the Village has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Village.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Village.

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GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Village.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the Village's financial statements as the Village does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Village.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Village.

**Note 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 are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$-0- for the general fund.

**Note 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.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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 and STAR Plus).
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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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, \$3,627,636 of the Village's bank balance of \$10,638,964 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.

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

**Note 6 – Income Taxes**

The Village levies a 1.5 percent income tax. By Council action on January 18, 2016, the first one percent of income tax receipt is divided as follows: 80 percent to the General Fund, 10 percent to the Parks Fund and 10 percent to the Capital Improvement 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 municipality on wages earned, that credit can be applied to the Village of Carey tax liability, with the other half percent payable to the Village of Carey. 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.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax receipt received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

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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. 2016 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$1.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Estate	\$ 45,334,520
Public Utility Personal Property	<u>545,950</u>
Total Assessed Value	<u>\$ 45,880,470</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.

**Note 8 – Risk Management**

**Public Entities Pool of Ohio**

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgements, 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. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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.



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***Financial Position***

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	2016
Casualty Coverage and Property Coverage	
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	\$28,785,581

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$39,000.

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.

Contributions to PEP	
2016	\$ 62,405

After one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of 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 disbursements 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.

**Buckeye Ohio Risk Managements Association (BORMA)**

The BORMA Benefits Pool (the Pool) is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance, and prescription drug insurance. Plan options and levels of coverage are established independently by each Pool member for its employees. Premiums paid into the Pool by each member are based on the level of coverage within each respective plan. The Pool includes twenty-one public entities in the State of Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the Pool to fund administrative expenses and to create reserves for claims.

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As of December 31, 2016, the Pool had total reported assets of \$4,742,863. The 2016 monthly premiums paid by the Village per covered employee were \$2,076 for family coverage, \$1,384 for two party coverage with spouse, \$1,245 for two-party coverage with child, and \$692 for single coverage. The monthly life insurance premium was \$1.74. The cost of coverage for premiums is paid out of each respective fund and division that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2016, the Village paid \$337,220 into the Pool for all covered benefits. The amount of risk retained by the Pool in 2016 was \$200,000 per individual; coverage in excess of this amount was provided by HCC Life Insurance Co.

BORMA Benefits Pool has the ability to require member entities to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the reserves and premium levels. Therefore, no additional amounts have been disclosed in the basic financial statements. Audited financial statements are maintained by the pool.

The Village pays the State Workers' Compensation System 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.

**Note 9 – Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension asset/liability represents an asset/liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the Village's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Village's obligation for this liability to annually required payments. The Village cannot control benefit terms or the manner in which pensions are financed; however, the Village does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

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***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional and combined plans; therefore, the following disclosure focuses on these two plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$129,765 for year 2016.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee	12.25 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$72,430 for 2016.

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***Net Pension Liability***

The net pension asset/liability for OPERS was measured as of December 31, 2015, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The Village's proportion of the net pension asset/liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportionate Share of the Net Pension Liability	\$ 1,507,816	\$ 0	\$ 1,058,509	\$ 2,566,325
Proportionate Share of the Net Pension (Asset)	\$ 0	\$ (1,723)	\$ 0	\$ (1,723)
Proportion of the Net Pension Asset/Liability	0.00870500%	0.00354000%	0.01645400%	

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>	<u>Combined Pension Plan</u>
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation	4.25 percent to 8.05 percent, including wage inflation
COLA or Ad Hoc COLA	3.00 percent, simple	3.00 percent
Investment Rate of Return	8.00 percent	8.00 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined y male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

**Discount Rate** The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

**Sensitivity of the Village’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Villages’s proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the Village’s proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

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Village's proportionate share of the net pension (asset)/liability:	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Traditional Plan	\$ 2,402,319	1,507,816	\$ 753,331
Combined Plan	(35)	\$ (1,723)	(3,080)

***Changes Between Measurement Date and Report Date*** - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the Village's net pension liability is expected to be significant.

***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.



**Village of Carey**  
**Wyandot County, Ohio**  
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For the Year Ended December 31, 2016  
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The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized as follows:

<u>Asset Class</u>	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income*	20.00	1.62	5.35
Global Inflation Protected*	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	<u>120.00</u> %		

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
For the Year Ended December 31, 2016  
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***Sensitivity of the Village's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Village's proportionate share of the net pension liability:	\$ 1,396,016	\$ 1,058,509	\$ 772,586

***Changes Between Measurement Date and Report Date*** In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, it has the potential to impact the Village's net pension liability.

**Note 10 - Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

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OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016 as recommended by OPERS' actuary. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.0 percent.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$21,627, \$21,924 and \$22,502, respectively. The full amount has been contributed for 2016, 2015 and 2014.

***B. Ohio Police and Fire Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
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OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required Ohio Revised Code 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. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2016 through December 31, 2016. 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 is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees also is 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 OPF, which were allocated to fund post-employment health care benefits, for police were \$1,906, \$1,858 and \$1,593, respectively, for the years ended December 31, 2016, 2015 and 2014. The full amount has been contributed for 2016, 2015 and 2014.

***Social Security***

Some of the Village's volunteer firefighters contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
For the Year Ended December 31, 2016  
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**Note 11 – Debt**

Debt outstanding at December 31, 2016 was as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
General Obligation Bonds - Firehouse	3.750-4.000%	\$ 525,000	December 1, 2017
USDA Loan	2.375%	\$ 868,900	April 1, 2027
OWDA Loan - WWTP Improvements	1.000%	2,240,415	January 1, 2027
OWDA Loan - Storm Sewer	1.000%	107,311	January 1, 2031
OPWC Loan - Sanitary Sewer	2.000%	691,976	July 1, 2018
OPWC Loan - Culvert Replacement	0.000%	57,774	January 20, 2026
AMP Loan - Electric Improvements	1.600%	5,500,000	December 31, 2034
2015 Revenue Bonds - Municipal Utilities Facility	2.625%	740,000	October 1, 2024

The Village's long-term debt activity for the year ended December 31, 2016 was as follows:

	<u>Balance 12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2016</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Firehouse Bonds	\$ 120,000	\$ 0	\$ (60,000)	\$ 60,000	\$ 60,000
USDA Loan	0	8,966	0	8,966	0
<b>Total Governmental Activities</b>	<u>\$ 120,000</u>	<u>\$ 8,966</u>	<u>\$ (60,000)</u>	<u>\$ 68,966</u>	<u>\$ 60,000</u>
<b>Business-Type Activities</b>					
OWDA Loan - WWTP Improvements	\$ 1,287,311	\$ 0	\$ (111,279)	\$ 1,176,032	\$ 112,395
OWDA Loan - Storm Sewer	82,455	0	(5,122)	77,333	5,173
OPWC Loan - Sanitary Sewer	130,134	0	(51,278)	78,856	52,309
OPWC Loan - Culvert Replacement	57,774	0	(5,777)	51,997	5,777
Revenue Bonds - 2015 Municipal Utilities Facility	666,000	0	(74,000)	592,000	74,000
AMP Loan - Electric Improvements	3,387,388	407,640	(100,000)	3,695,028	0
<b>Total Business-Type Activities</b>	<u>\$ 5,611,062</u>	<u>\$ 407,640</u>	<u>\$ (347,456)</u>	<u>\$ 5,671,246</u>	<u>\$ 249,654</u>

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

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, sewer, electric and storm water receipts, net of specified operating disbursements to repay \$5,671,246 of Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, revenue bonds and an AMP loan. Annual principal and interest payments, as a percentage of net customer receipts, on the loans are expected to be similar over the term of the loans as in the current year, which were 36.5 percent. The total principal and interest remaining to be paid on the loans is \$5,812,209. Principal and interest paid for the current year and total net receipts were \$452,230 and \$1,240,159, respectively.

**Village of Carey**  
**Wyandot County, Ohio**  
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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 Ohio Water Development Authority (OWDA) approved a \$228,889 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 left \$107,311 to be financed by the Village.

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 is being repaid in semi-annual installments, over a period of 15 years and is collateralized by sewer debt fund income tax receipts.

The Village entered into a loan agreement with the Ohio Public Works Commission (OPWC) in 2015 for the purpose of a culvert replacement project. This loan is being repaid in semi-annual installments beginning in July of 2016. The debt will be repaid over a ten year period.

The Village entered into a loan agreement with American Municipal Power, Inc. (AMP) on June 25, 2014 in the amount of \$5,500,000. The loan will be funded through AMP's line of credit. As of December 31, 2016 the Village has drawn down \$3,695,028 of the loan. The purpose of the loan is to make improvements to the Village's municipal electric system. The Village is only required to make interest payments on the loan until the completion of the project. The loan will be repaid with the Village's net receipts from the electric fund. A \$100,000 and \$200,000 payment was made on the loan in 2016 and 2015, respectively. At December 31, 2016, the amortization schedule was not available for this loan therefore, it is not included below.

On April 29, 2015 the Village issued revenue bonds to purchase a building. The building will house the Village's public works and electric departments. The Village received proceeds of \$740,000 of revenue bonds with a 2.625 percent annual interest rate. These bonds are to be repaid in annual installments, over a nine year period, with the final payment being made on October 1, 2024.

On December 13, 2016 the Village entered into a loan with the USDA for the purchase of a fire truck. The Village will receive \$868,900 in loan proceeds a 2.375 percent annual interest rate. As of December 31, 2016 the Village had received \$8,986 of proceeds. The bonds will be repaid in annual installments of \$86,900, over a twenty year period, with final payment due April 1, 2027. At December 31, 2016, the amortization schedule was not available for this loan therefore, it is not included below.

**Village of Carey**  
**Wyandot County, Ohio**  
*Notes to the Financial Statements*  
For the Year Ended December 31, 2016  
(Continued)

Principal and interest requirements to retire debt outstanding at December 31, 2016, were as follows:

Year	General Obligation Bonds		Revenue Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 60,000	\$ 2,400	\$ 74,000	\$ 15,756	\$ 117,568	\$ 12,241	\$ 58,086	\$ 1,317
2018	0	0	74,000	13,786	118,746	11,062	32,324	265
2019	0	0	74,000	11,817	119,937	9,872	5,778	0
2020	0	0	74,000	9,874	121,139	8,669	5,778	0
2021	0	0	74,000	7,878	122,354	7,455	5,778	0
2022-2026	0	0	222,000	11,822	630,414	18,626	23,109	0
2027-2031	0	0	0	0	23,207	525	0	0
Total	<u>\$ 60,000</u>	<u>\$ 2,400</u>	<u>\$ 592,000</u>	<u>\$ 70,933</u>	<u>\$ 1,253,365</u>	<u>\$ 68,450</u>	<u>\$ 130,853</u>	<u>\$ 1,582</u>

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 November 30, 2001. The purpose of this agreement is to promote the development of the Village by providing utility service to undeveloped property located in certain agricultural districts within the Village. Repayment of the amount advanced will be determined by the date in which the use of such property has been changed pursuant to Ohio Revised Code Section 929.03(D). The Village, upon such change in use, collected from the property owner an assessment for the portion of changed property and made repayment to the Commission in the amount of \$33,331 for the portion of changed property. The balance of the advance was \$56,689, of which \$55,689 was paid off April 2015. The \$1,000 balance of the advance was paid on October 25, 2016.

Ohio Revised Code 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 Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2016, were an overall debt margin of \$4,748,483 and an unvoted debt margin of \$2,454,460.

**Note 12 – Contingent Liabilities**

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

**Note 13 – 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 General Fund and all other governmental funds are presented below:

**Village of Carey**  
**Wyandot County, Ohio**  
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	General	Other Governmental Funds	Total
Restricted for:			
Community Center	\$ 0	\$ 55,798	\$ 55,798
Road Improvements	0	231,100	231,100
Cemetery	0	151,575	151,575
Police Operations	0	9,565	9,565
Total Restricted	<u>0</u>	<u>448,038</u>	<u>448,038</u>
Committed for:			
Capital Outlay	0	67,214	67,214
Recreation	0	178,060	178,060
Police Operations	0	5,374	5,374
Total Committed	<u>0</u>	<u>250,648</u>	<u>250,648</u>
Assigned for:			
Subsequent Year Appropriations	<u>740,325</u>	<u>0</u>	<u>740,325</u>
Unassigned	<u>1,587</u>	<u>0</u>	<u>1,587</u>
<i>Total Fund Balance</i>	<u><u>\$ 741,912</u></u>	<u><u>\$ 698,686</u></u>	<u><u>\$ 1,440,598</u></u>

**Note 14 – Other Commitments and Contingencies**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 2,000 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.26 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$346,050. The Village received a credit of \$132,716 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$90,450 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired cost balance of \$122,884. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.



**Village of Carey**  
**Wyandot County, Ohio**  
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In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of \$130,761 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$3,485 and interest expense incurred on AMP's line-of-credit of \$1,102, resulting in a net credit balance for impaired cost estimate at December 31, 2016 of \$3,290. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$769 resulting in a net credit balance for total potential liability of \$2,521, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next year through a power cost adjustment.

***Contractual Commitments***

As of December 31, 2016, the Village had contractual commitments as follows:

	Contractual Commitment	Expended	Balance 12/31/2016
Purchase of fire apparatus	\$ 963,000	\$ 0	\$ 963,000

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Carey  
Wyandot County  
127 North Vance Street  
Carey, Ohio 43316-1056

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis 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, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 6, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 6, 2018



# 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  
SEPTEMBER, 27 2018