



Dave Yost • Auditor of State

VILLAGE OF CAREY
WYANDOT COUNTY

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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, 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, 2015, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio, as of December 31, 2015, 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 December 22, 2016, 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

December 22, 2016

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(UNAUDITED)

This discussion and analysis of the Village of Carey's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2015, 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 2015 are as follows:

- In total, net position increased \$802,451. Net position of governmental activities increased \$109,818, which represents an 8 percent increase from 2014. Net position of business-type activities increased \$692,633 or 9 percent from 2014.
- The Village's general receipts accounted for \$6,459,208 or 43 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 \$8,639,245 or 57 percent of total receipts of \$15,108,453.
- Total program disbursements were \$14,306,002; \$1,822,167 in governmental activities and \$12,483,835 in business-type activities.
- Outstanding debt increased from \$1,993,339 to \$5,731,062 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
For the Year Ended December 31, 2015
(UNAUDITED)
(Continued)

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 2015, 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, 2015
(UNAUDITED)
(Continued)

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 2015 compared to 2014 on a cash basis:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Cash and Cash Equivalents	\$ 1,512,505	\$ 1,402,687	\$ 8,318,257	\$ 7,625,624	\$ 9,830,762	\$ 9,028,311
Net Position						
Restricted	\$ 483,178	\$ 507,743	\$ 0	\$ 0	\$ 483,178	\$ 507,743
Unrestricted	1,029,327	894,944	8,318,257	7,625,624	9,347,584	8,520,568
<i>Total Net Position</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>

In 2015, total net position increased \$802,451. The primary reason contributing to this increase was the timing of debt issuances versus when project disbursements were made within business – type activities.

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(UNAUDITED)
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Table 2 reflects the changes in net position on a cash basis in 2015 and 2014 for governmental activities, business-type activities and total primary government.

Table 2

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Receipts						
<i>Program Receipts</i>						
Charges for Services and Sales	\$ 98,718	\$ 88,494	\$ 8,054,687	\$ 7,696,325	\$ 8,153,405	\$ 7,784,819
Operating Grants, Contributions and Interest	260,229	202,701	611	12,599	260,840	215,300
Capital Grants and Contributions	0	0	235,000	0	235,000	0
<i>Total Program Receipts</i>	<u>358,947</u>	<u>291,195</u>	<u>8,290,298</u>	<u>7,708,924</u>	<u>8,649,245</u>	<u>8,000,119</u>
<i>General Receipts</i>						
Property Taxes	74,101	74,838	0	0	74,101	74,838
Income Taxes	986,709	893,413	653,699	594,454	1,640,408	1,487,867
Other Local Taxes	301,722	305,883	0	0	301,722	305,883
OPWC Loan Issued	0	0	57,774	0	57,774	0
Proceeds of Loans	0	0	3,434,463	152,925	3,434,463	152,925
Bonds Issued	0	0	740,000	0	740,000	0
Grants and Entitlements	109,532	72,576	0	0	109,532	72,576
Investment Earnings	31,718	38,657	0	0	31,718	38,657
Sale of Assets	18,500	450	0	0	18,500	450
Miscellaneous	50,756	49,669	234	10,505	50,990	60,174
<i>Total General Receipts</i>	<u>1,573,038</u>	<u>1,435,486</u>	<u>4,886,170</u>	<u>757,884</u>	<u>6,459,208</u>	<u>2,193,370</u>
<i>Total Receipts</i>	<u>1,931,985</u>	<u>1,726,681</u>	<u>13,176,468</u>	<u>8,466,808</u>	<u>15,108,453</u>	<u>10,193,489</u>
Disbursements						
General Government	258,105	260,649	0	0	258,105	260,649
Security of Persons and Property	1,066,471	973,953	0	0	1,066,471	973,953
Public Health	21,662	17,634	0	0	21,662	17,634
Leisure Time Activities	85,930	61,054	0	0	85,930	61,054
Community and Economic Development	5,396	9,912	0	0	5,396	9,912
Basic Utilities	3,715	3,588	0	0	3,715	3,588
Transportation	221,223	167,226	0	0	221,223	167,226
Capital Outlay	93,384	128,354	0	0	93,384	128,354
Principal Retirement	59,243	59,068	0	0	59,243	59,068
Interest and Fiscal Charges	7,038	9,276	0	0	7,038	9,276
Electric	0	0	10,090,831	7,013,214	10,090,831	7,013,214
Recycling	0	0	33,674	36,740	33,674	36,740
Sewer	0	0	889,936	669,311	889,936	669,311
Storm Water utility	0	0	688,824	32,508	688,824	32,508
Utility Deposit	0	0	31,992	29,415	31,992	29,415
Water	0	0	748,578	527,217	748,578	527,217
<i>Total Disbursements</i>	<u>1,822,167</u>	<u>1,690,714</u>	<u>12,483,835</u>	<u>8,308,405</u>	<u>14,306,002</u>	<u>9,999,119</u>
<i>Change in Net Position</i>	<u>109,818</u>	<u>35,967</u>	<u>692,633</u>	<u>158,403</u>	<u>802,451</u>	<u>194,370</u>
<i>Net Position at Beginning of year</i>	<u>1,402,687</u>	<u>1,366,720</u>	<u>7,625,624</u>	<u>7,467,221</u>	<u>9,028,311</u>	<u>8,833,941</u>
<i>Net Position at End 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>

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(UNAUDITED)
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Governmental Activities

Program receipts represent only 19 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to nearby governments for police services provided under contract.

General receipts represent 82 percent of the Village's total receipts, and of this amount, 87 percent are taxes. State and federal grants and entitlements make up 7 percent of the Village's general receipts. Other receipts, such as investments earnings, make up a small percentage (6 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 \$1,066,471 represents 59 percent of the total disbursements. Transportation and capital outlay had disbursements of \$221,223 and \$93,384 in 2015 equaling 12 and 5 percent of the total governmental service disbursements.

Business-type Activities

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

The total disbursements for the utilities increased from \$8,308,405 to \$12,483,835 in 2015. This increase 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. The increase in general receipts is due to additional debt proceeds. The Village had an increase in net position of \$692,633 for the business-type activities.

The Village's Funds

Total governmental funds had receipts of \$1,913,485, exclusive of other financing sources, and disbursements of \$1,822,167, exclusive of other financing uses. The fund balance of the general fund increased \$122,208, year end 2015.

All business-type funds had operating disbursements of \$11,987,639 which were greater than operating receipts of \$8,054,921 by \$3,932,718.

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
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 (UNAUDITED)
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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 difference between final budgeted receipts and actual receipts was \$119,241. This change was mainly due to income tax receipts being higher than anticipated.

Final disbursements were budgeted at \$1,792,962 while actual disbursements came in at \$1,407,228, as cost savings were recognized during the year. The fund balance increased \$122,208 during 2015.

Debt Administration

Debt

At December 31, 2015, the Village's outstanding debt was \$5,731,062. Table 3 summarizes outstanding debt.

Table 3
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 120,000	\$ 175,000	\$ 0	\$ 0	\$ 120,000	\$ 175,000
Revenue Bonds	0	0	666,000	0	666,000	0
AMP Loan	0	0	3,387,388	152,925	3,387,388	152,925
OPWC Loan	0	0	187,908	180,402	187,908	180,402
OWDA Loans	0	0	1,369,766	1,485,012	1,369,766	1,485,012
<i>Total</i>	<u>\$ 120,000</u>	<u>\$ 175,000</u>	<u>\$ 5,611,062</u>	<u>\$ 1,818,339</u>	<u>\$ 5,731,062</u>	<u>\$ 1,993,339</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
For the Year Ended December 31, 2015
(UNAUDITED)
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Current Issues

The 2015 income taxes showed an upward trend, with the general fund seeing an increase of about 10 percent (\$84,000) over 2014 levels.

This was the year of completing existing projects, both small and large. The Village added replacement of some 100 year old hydrants and some 60 year old isolation and service valves in the water system. Several major treatment issues were addressed in a system rehabilitation study performed for the Village as a precursor to issuing an RFQ for recommended wwtp improvements. Some minor line location adjustments were required to complete the water connection to the new school. A new 12,470V tie line from Ogg St Substation to the waterworks substation was installed and connected, including changeover of about 40 residential transformers, Continental Structural Plastics, the solar field, several South Vance Street businesses and to the new Arrowhead Commerce Park. We completed the current phase of the Issue I, Small Government Commission grant funded culvert project from North Patterson Street to the Sr Depot downtown. We also applied for a new grant to fund the upgrade of two of the main lift stations and installation of a new force main to the treatment plant to avoid sewer backup issues.

We are in the process of providing information for a comprehensive review of the CSP Electric Substation project, by The Economic Development Administration engineering department, for the EDA grant. The second project is anew anchor tenant for Arrowhead Commerce Park: HANON, LLC. Through a new Enterprise Zone Agreement, along with training credits and other state incentives, brings a commitment of 140 jobs within 24 months, and an investment of \$13,000,000 by the company. Finally, the village established a new Community Reinvestment Area to incentivize both new and existing expansions in residential, commercial and industrial sectors. We are working with one local business currently for a 2016 project which will bring about 8 more permanent and 13 part time jobs in the Village.

The major capital expenditure for the year was to purchase a vacated 52,000 square foot, 6.91 acre, fenced, commercial facility to combine the public works and the electric departments at one site. The cost of that purchase was \$740,000, financed over 10 years by sale of municipal bonds through a local bank (Commercial Savings Bank). As for equipment disbursements limited them for this year due to the above purchase, public works acquired a new heavy duty trailer to transport the mini-excavator and the multiple mowers to sites around the Village and the Spring Grove Cemetery.

No problems were experienced with the fire department operations during 2015. 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. A new ladder truck is under discussion to replace one of the current pumpers which is approaching the end of its useful life.

The new two megawatt solar array installed on the Village owned well field property and operated by Solar Planet Power, has operated successfully for 12 months producing approximately 2.4 megawatt-hours, supplementing and diversifying our power supply portfolio for the coming 25 years.

After review by the administration, electric fund revenues indicated the need for adjustment. Council implemented the recommended rate increase of 4 percent for 2015 and another 2 percent beginning January 2016, with further review at that time. Water fund receipts are now in the third year of a four-step series of 20 percent per year increase to make that fund healthy again.

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
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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 Nickie Coppler, Fiscal Officer, Village of Carey, 127 N. Vance Street, Carey, Ohio 43316-1056, telephone 419-396-7681 or email Nickie.Coppler [@careyohio.org](mailto:Nickie.Coppler@careyohio.org)

Village of Carey
Wyandot County, Ohio
Statement of Net Position - Cash Basis
December 31, 2015

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,512,505	\$ 8,318,257	\$ 9,830,762
Net Position			
Restricted for:			
Capital Projects	\$ 55,798	\$ 0	\$ 55,798
Other Purposes	427,380	0	427,380
Unrestricted	1,029,327	8,318,257	9,347,584
<i>Total Net Position</i>	<u>\$ 1,512,505</u>	<u>\$ 8,318,257</u>	<u>\$ 9,830,762</u>

See accompanying notes to the basic financial statements.

Village of Carey
Wyandot County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 258,105	\$ 19,928	\$ 0	\$ 0	\$ (238,177)	\$ 0	\$ (238,177)
Security of Persons and Property	1,066,471	23,269	56,387	0	(986,815)	0	(986,815)
Public Health	21,662	36,119	0	0	14,457	0	14,457
Leisure Time Activities	85,930	17,727	1,750	0	(66,453)	0	(66,453)
Community and Economic Development	5,396	1,675	0	0	(3,721)	0	(3,721)
Basic Utility Services	3,715	0	0	0	(3,715)	0	(3,715)
Transportation	221,223	0	202,092	0	(19,131)	0	(19,131)
Capital Outlay	93,384	0	0	0	(93,384)	0	(93,384)
Debt Service:							
Principal Retirement	59,243	0	0	0	(59,243)	0	(59,243)
Interest and Fiscal Charges	7,038	0	0	0	(7,038)	0	(7,038)
<i>Total Governmental Activities</i>	<u>1,822,167</u>	<u>98,718</u>	<u>260,229</u>	<u>0</u>	<u>(1,463,220)</u>	<u>0</u>	<u>(1,463,220)</u>
Business Type-Activities							
Electric	10,090,831	6,845,547	0	0	0	(3,245,284)	(3,245,284)
Recycling	33,674	53,538	0	0	0	19,864	19,864
Sewer	889,936	417,087	611	0	0	(472,238)	(472,238)
Storm Water Utility	688,824	196,167	0	235,000	0	(257,657)	(257,657)
Utility Deposit	31,992	37,757	0	0	0	5,765	5,765
Water	748,578	504,591	0	0	0	(243,987)	(243,987)
<i>Total Business-Type Activities</i>	<u>12,483,835</u>	<u>8,054,687</u>	<u>611</u>	<u>235,000</u>	<u>0</u>	<u>(4,193,537)</u>	<u>(4,193,537)</u>
<i>Total - Primary Government</i>	<u>\$ 14,306,002</u>	<u>\$ 8,153,405</u>	<u>\$ 260,840</u>	<u>\$235,000</u>	<u>(1,463,220)</u>	<u>(4,193,537)</u>	<u>(5,656,757)</u>
General Receipts							
Property Taxes Levied for							
General Purposes					74,101	0	74,101
Income Taxes					986,709	653,699	1,640,408
Other Local Taxes					301,722	0	301,722
Grants and Entitlements Not							
Restricted to Specific Programs					109,532	0	109,532
Proceeds of Bonds					0	740,000	740,000
Proceeds of Loans					0	3,434,463	3,434,463
OPWC Loan Issued					0	57,774	57,774
Sale of Assets					18,500	0	18,500
Investment Earnings					31,718	0	31,718
Miscellaneous					50,756	234	50,990
<i>Total General Receipts</i>					<u>1,573,038</u>	<u>4,886,170</u>	<u>6,459,208</u>
<i>Change in Net Position</i>					109,818	692,633	802,451
<i>Net Position Beginning of Year</i>					<u>1,402,687</u>	<u>7,625,624</u>	<u>9,028,311</u>
<i>Net Position End of Year</i>					<u>\$ 1,512,505</u>	<u>\$ 8,318,257</u>	<u>\$ 9,830,762</u>

See accompanying notes to the basic financial statements.

Village of Carey
Wyandot County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 846,325	\$ 666,180	\$ 1,512,505
Fund Balances			
Restricted	\$ 0	\$ 483,178	\$ 483,178
Committed	0	183,002	183,002
Assigned	587,812	0	587,812
Unassigned	258,513	0	258,513
<i>Total Fund Balances</i>	<u>\$ 846,325</u>	<u>\$ 666,180</u>	<u>\$ 1,512,505</u>

See accompanying notes to the basic financial statements.

**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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$ 74,101	\$ 0	\$ 74,101
Income Taxes	888,038	98,671	986,709
Other Local Taxes	301,722	0	301,722
Special Assessments	1,938	0	1,938
Charges for Services	14,759	49,826	64,585
Licenses and Permits	3,752	0	3,752
Fines and Forfeitures	6,905	1,395	8,300
Intergovernmental	106,959	214,698	321,657
Interest	31,718	1,005	32,723
Rent	16,125	4,020	20,145
Contributions and Donations	15,254	31,843	47,097
Other	49,665	1,091	50,756
<i>Total Receipts</i>	<u>1,510,936</u>	<u>402,549</u>	<u>1,913,485</u>
Disbursements			
Current:			
General Government	258,105	0	258,105
Security of Persons and Property	1,047,136	19,335	1,066,471
Public Health	6,376	15,286	21,662
Leisure Time Activities	0	85,930	85,930
Community and Economic Development	5,396	0	5,396
Basic Utility Services	3,715	0	3,715
Transportation	0	221,223	221,223
Capital Outlay	24,644	68,740	93,384
Debt Service:			
Principal Retirement	55,000	4,243	59,243
Interest and Fiscal Charges	6,856	182	7,038
<i>Total Disbursements</i>	<u>1,407,228</u>	<u>414,939</u>	<u>1,822,167</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	103,708	(12,390)	91,318
Other Financing Sources			
Sale of Assets	18,500	0	18,500
<i>Net Change in Fund Balances</i>	122,208	(12,390)	109,818
<i>Fund Balances Beginning of Year</i>	<u>724,117</u>	<u>678,570</u>	<u>1,402,687</u>
<i>Fund Balances End of Year</i>	<u>\$ 846,325</u>	<u>\$ 666,180</u>	<u>\$ 1,512,505</u>

See accompanying notes to the basic financial statements.

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Property Taxes	\$ 76,000	\$ 76,000	\$ 74,101	\$ (1,899)
Income Taxes	827,985	827,985	888,038	60,053
Other Local Taxes	310,000	310,000	301,722	(8,278)
Special Assessments	600	600	1,938	1,338
Charges for Services	12,100	12,100	14,759	2,659
Licenses and Permits	5,300	5,300	3,752	(1,548)
Fines and Forfeitures	7,700	7,700	6,905	(795)
Intergovernmental	73,410	73,410	106,959	33,549
Interest	8,100	8,100	31,718	23,618
Rent	16,000	16,000	16,125	125
Gifts and Contributions	5,000	10,000	15,254	5,254
Other	33,015	60,000	49,665	(10,335)
<i>Total Receipts</i>	<u>1,375,210</u>	<u>1,407,195</u>	<u>1,510,936</u>	<u>103,741</u>
Disbursements				
Current:				
General Government	385,317	389,317	258,105	131,212
Security of Persons and Property	1,248,326	1,272,827	1,047,136	225,691
Public Health	12,000	12,000	6,376	5,624
Community and Economic Development	12,818	12,818	5,396	7,422
Basic Utility Services	4,000	4,000	3,715	285
Capital Outlay	58,500	35,000	24,644	10,356
Debt Service:				
Principal Retirement	55,000	55,000	55,000	0
Interest and Fiscal Charges	12,000	12,000	6,856	5,144
<i>Total Disbursements</i>	<u>1,787,961</u>	<u>1,792,962</u>	<u>1,407,228</u>	<u>385,734</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(412,751)	(385,767)	103,708	489,475
Other Financing Sources (Uses)				
Sale of Assets	3,000	3,000	18,500	15,500
<i>Net Change in Fund Balance</i>	(409,751)	(382,767)	122,208	504,975
<i>Fund Balance Beginning of Year</i>	<u>724,117</u>	<u>724,117</u>	<u>724,117</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 314,366</u>	<u>\$ 341,350</u>	<u>\$ 846,325</u>	<u>\$ 504,975</u>

See accompanying notes to the basic financial statements.

Village of Carey
Wyandot County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2015

	Business-Type Activities			Total Enterprise Funds
	Sewer	Electric	Other Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,716,588</u>	<u>\$ 3,415,984</u>	<u>\$ 1,185,685</u>	<u>\$ 8,318,257</u>
Net Position				
Unrestricted	<u>\$ 3,716,588</u>	<u>\$ 3,415,984</u>	<u>\$ 1,185,685</u>	<u>\$ 8,318,257</u>

See accompanying notes to the basic financial statements.

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, 2015

	Business-Type Activities			Total Enterprise Funds
	Sewer	Electric	Other Enterprise Funds	
Operating Receipts				
Charges for Services	\$ 417,087	\$ 6,845,547	\$ 792,053	\$ 8,054,687
Other Operating Receipts	0	234	0	234
<i>Total Operating Receipts</i>	<u>417,087</u>	<u>6,845,781</u>	<u>792,053</u>	<u>8,054,921</u>
Operating Disbursements				
Personal Services	195,728	324,696	212,675	733,099
Employee Fringe Benefits	86,859	151,945	86,646	325,450
Travel	232	2,530	181	2,943
Contractual Services	87,517	6,272,779	113,831	6,474,127
Materials and Supplies	33,364	39,716	50,022	123,102
Capital Outlay	264,104	3,066,431	998,383	4,328,918
<i>Total Operating Disbursements</i>	<u>667,804</u>	<u>9,858,097</u>	<u>1,461,738</u>	<u>11,987,639</u>
<i>Operating Income (Loss)</i>	<u>(250,717)</u>	<u>(3,012,316)</u>	<u>(669,685)</u>	<u>(3,932,718)</u>
Non-Operating Receipts (Disbursements)				
OPWC Loan Proceeds	0	0	57,774	57,774
Bonds Issued	222,000	222,000	296,000	740,000
Income Taxes	653,699	0	0	653,699
Intergovernmental	611	0	235,000	235,611
Proceeds from Loans	0	3,434,463	0	3,434,463
Principal Payments	(191,957)	(222,200)	(37,701)	(451,858)
Interest and Fiscal Charges	(20,565)	(10,534)	(3,629)	(34,728)
Other Non-Operating Expenses	(9,610)	0	0	(9,610)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>654,178</u>	<u>3,423,729</u>	<u>547,444</u>	<u>4,625,351</u>
<i>Change in Net Position</i>	403,461	411,413	(122,241)	692,633
<i>Net Position Beginning of Year</i>	<u>3,313,127</u>	<u>3,004,571</u>	<u>1,307,926</u>	<u>7,625,624</u>
<i>Net Position End of Year</i>	<u>\$ 3,716,588</u>	<u>\$ 3,415,984</u>	<u>\$ 1,185,685</u>	<u>\$ 8,318,257</u>

See accompanying notes to the basic financial statements.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

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, 2015
(Continued)

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, 2015
(Continued)

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 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 their related receipts (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities 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, 2015
(Continued)

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 2015, 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 2015 amounted to \$31,718, which includes \$28,993 assigned from other Village funds.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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, 2015
(Continued)

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, 2015
(Continued)

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, 2015, the Village has implemented (to the extent it applies to the cash basis of accounting) Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. See Note 9 for further information.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 9 for further information.

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

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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.

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;

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,034,351 of the Village's bank balance of \$9,924,303 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, the first one percent of income tax receipt is divided as follows: 90 percent to the General Fund and 10 percent to the Parks Fund. The remaining one-half percent is placed in the Sewer Debt Retirement Fund, by Council action. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, if at least one percent tax is paid to another 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.

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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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

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. 2015 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$1.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Estate	\$ 44,875,620
Public Utility Personal Property	<u>537,580</u>
Total Assessed Value	<u>\$ 45,413,200</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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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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.

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	2014	2015
Casualty Coverage and Property Coverage		
Assets	\$ 35,402,177	\$ 38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	\$ 23,038,920	\$ 25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. 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.

<u>Contributions to PEP</u>	
2013	60,378
2014	56,951
2015	61,054

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.

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.

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Note 9 – Defined Benefit Pension Plans

Net Pension Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

The net pension liability reported on the statement of net position represents an 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 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 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 liability. Resulting adjustments to the net pension 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.

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):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 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.

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

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(Continued)

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
2015 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
 2015 Actual Contribution Rates	
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 \$131,543 for year 2015.

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 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.

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.

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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
2015 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
 2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$72,446 for 2015.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The Village's proportion

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of the net pension 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	OPF	Total
Proportionate Share of the Net Pension Liability	\$ 1,067,530	\$ 811,745	\$ 1,879,275
Proportion of the Net Pension Liability	0.00885100%	0.01566950%	

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 liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	Traditional Pension Plan	Combined Pension Plan
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 healthy 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.

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.

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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 6.95 percent for 2014.

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 2014 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	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension 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 liability.

Sensitivity of the Village’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Village’s proportionate share of the net pension 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 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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Villages's proportionate share of the net pension liability:			
Traditional Plan	\$ 1,963,948	\$ 1,067,530	\$ 312,529

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Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, 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, 2014, are presented below:

Valuation Date	January 1, 2014
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

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.

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, 2014 are summarized below:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income*	20.00	1.62
Global Inflation Protected*	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00</u> %	

* levered 2x

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.

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.

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
Village's proportionate share of the net pension liability	\$ 1,122,767	\$ 811,745	\$ 548,405

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(Continued)

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.

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.

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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 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. 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 4.5 percent.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$21,924, \$22,502 and \$10,687, respectively. The full amount has been contributed for 2015, 2014 and 2013.

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.

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.

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.

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For the Year Ended December 31, 2015
(Continued)

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, 2015 through December 31, 2015. 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 \$1,858, \$1,593 and \$11,715, respectively, for the years ended December 31, 2015, 2014 and 2013. The full amount has been contributed for 2015, 2014 and 2013.

Note 11 – Debt

Debt outstanding at December 31, 2015 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
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

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

The Village's long-term debt activity for the year ended December 31, 2015 was as follows:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental Activities					
Firehouse Bonds	\$ 175,000	\$ 0	\$ (55,000)	\$ 120,000	\$ 60,000
Business-Type Activities					
OWDA Loan - WWTP Improvements	\$ 1,397,486	\$ 0	\$ (110,175)	\$ 1,287,311	\$ 111,279
OWDA Loan - Storm Sewer	87,526	0	(5,071)	82,455	5,121
OPWC Loan - Sanitary Sewer	180,402	0	(50,268)	130,134	51,278
OPWC Loan - Culvert Replacement	0	57,774	0	57,774	2,889
Revenue Bonds - 2015 Municipal Utilities Facility	0	740,000	(74,000)	666,000	74,000
AMP Loan - Electric Improvements	152,925	3,434,463	(200,000)	3,387,388	0
Total Business-Type Activities	\$ 1,818,339	\$ 4,232,237	\$ (439,514)	\$ 5,611,062	\$ 244,567

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 \$5,611,062 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 40.7 percent. The total principal and interest remaining to be paid on the loans is \$5,769,692. Principal and interest paid for the current year and total net receipts were \$473,709 and \$1,163,200, respectively.

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.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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, 2015 the Village has drawn down \$3,587,387 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 \$200,000 payment was made on the loan in 2015. At December 31, 2015, 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.

Principal and interest requirements to retire debt outstanding at December 31, 2015, were as follows:

Year	General Obligation Bonds		Revenue Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 60,000	\$ 4,725	\$ 74,000	\$ 14,568	\$ 116,400	\$ 13,406	\$ 54,167	\$ 2,348
2017	60,000	2,400	74,000	12,950	117,568	12,241	58,086	1,317
2018	0	0	74,000	11,332	118,746	11,062	32,324	265
2019	0	0	74,000	9,712	119,937	9,872	5,777	0
2020	0	0	74,000	8,094	121,139	8,669	5,777	0
2021-2025	0	0	296,000	16,188	624,157	24,883	28,888	0
2026-2030	0	0	0	0	151,819	1,723	2,889	0
Total	\$ 120,000	\$ 7,125	\$ 666,000	\$ 72,844	\$ 1,369,766	\$ 81,856	\$ 187,908	\$ 3,930

The 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, 2015, were an overall debt margin of \$4,648,386 and an unvoted debt margin of \$2,377,726.

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 remaining balance of the advance was \$1,000 at December 31, 2015. The \$1,000 balance was paid October 25, 2016.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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:

	General	Other Governmental Funds	Total
Restricted for:			
Community Center	\$ 0	\$ 55,798	\$ 55,798
Road Improvements	0	267,291	267,291
Cemetery	0	147,207	147,207
Police Operations	0	12,882	12,882
Total Restricted	0	483,178	483,178
Committed for:			
Capital Outlay	0	390	390
Recreation	0	182,612	182,612
Total Committed	0	183,002	183,002
Assigned for:			
Subsequent Year Appropriations	587,812	0	587,812
Unassigned	258,513	0	258,513
<i>Total Fund Balance</i>	\$ 846,325	\$ 666,180	\$ 1,512,505

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 14 – Other Commitments and Contingencies

The Village of Carey is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 2,000 kilowatts of a total of 771,281 kilowatts, giving the Village a 0.26 percent 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. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. 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 at March 31, 2014, of the impaired costs is \$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, leaving a net impaired cost estimate of \$122,884. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments.

Since March 31, 2014 the Village has made payments of \$102,093 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 \$2,659 and interest expense incurred on AMP's line-of-credit of \$1,051, resulting in a net impaired cost estimate at December 31, 2015 of \$24,501.

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

Note 15 – Leases

The Village leases a truck under a noncancelable lease. The Village made the final payment of \$17,299 during 2015.

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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, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 22, 2016 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 opinion 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2016

VILLAGE OF CAREY
WYANDOT COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to errors over financial reporting.	Partially corrected and repeated in Management letter.	There was a new fiscal officer in January of 2015 and she has been in the process of learning all aspects of the job. Fiscal officer will ensure these are accounted for correctly in the future.

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VILLAGE OF CAREY

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 12, 2017