



Dave Yost • Auditor of State

VILLAGE OF CAREY
WYANDOT COUNTY
DECEMBER 31, 2017

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio (the Village), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carey, Wyandot County, Ohio, as of December 31, 2017, 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

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 6, 2018

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Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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, 2017, 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 2017 are as follows:

- In total, net position increased \$1,176,636. Net position of governmental activities increased \$247,978, which represents a 17 percent increase from 2016. Net position of business-type activities increased \$928,658 or 10 percent from 2016.
- The Village's general receipts accounted for \$5,054,354 or 33 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 \$10,238,522 or 67 percent of total receipts of \$15,292,876.
- Total program disbursements were \$14,116,240; \$2,992,530 in governmental activities and \$11,123,710 in business-type activities.
- Outstanding debt increased from \$5,740,212 to \$7,940,985 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 and Bond Capital Projects funds are the most significant governmental funds. 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, 2017
(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 2017, 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, utility deposit 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, 2017
(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 are the General and Bond Capital Projects funds. 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 2017 compared to 2016 on a cash basis:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Equity Pooled in Cash and Cash Equivalents	\$ 1,688,576	\$ 1,440,598	\$ 10,014,103	\$ 9,085,445	\$ 11,702,679	\$ 10,526,043
Net Position						
Restricted	481,955	448,038	0	0	481,955	448,038
Unrestricted	1,206,621	992,560	10,014,103	9,085,445	11,220,724	10,078,005
<i>Total Net Position</i>	<u>\$ 1,688,576</u>	<u>\$ 1,440,598</u>	<u>\$ 10,014,103</u>	<u>\$ 9,085,445</u>	<u>\$ 11,702,679</u>	<u>\$ 10,526,043</u>

In 2017, total equity pooled in cash and cash equivalents increased \$1,176,636. Refer to additional discussion of factors causing this increase on page 9.

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
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(UNAUDITED)
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Table 2 reflects the changes in net position on a cash basis in 2017 and 2016 for governmental activities, business-type activities and total primary government.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Receipts						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$ 88,144	\$ 106,164	\$ 9,605,539	\$ 8,597,837	\$ 9,693,683	\$ 8,704,001
Operating Grants, Contributions and Interest	259,538	229,570	18,135	2,105	277,673	231,675
Capital Grants, Contributions and Interest	103,066	0	164,100	0	267,166	0
<i>Total Program Receipts</i>	450,748	335,734	9,787,774	8,599,942	10,238,522	8,935,676
<i>General Receipts:</i>						
Property Taxes	75,140	76,843	0	0	75,140	76,843
Income Taxes	1,348,243	1,020,266	674,122	607,560	2,022,365	1,627,826
Other Local Taxes	312,438	311,264	0	0	312,438	311,264
Grants and Entitlements	64,322	69,110	0	0	64,322	69,110
Sale of Assets	36,025	0	0	0	36,025	0
Proceeds of Loans and Bonds	859,934	8,966	1,581,268	407,640	2,441,202	416,606
Investment Earnings	49,316	37,100	0	0	49,316	37,100
Miscellaneous	44,342	38,871	9,204	6,128	53,546	44,999
<i>Total General Receipts</i>	2,789,760	1,562,420	2,264,594	1,021,328	5,054,354	2,583,748
<i>Total Receipts</i>	3,240,508	1,898,154	12,052,368	9,621,270	15,292,876	11,519,424
Disbursements						
General Government	351,253	306,208	0	0	351,253	306,208
Security of Persons and Property	1,245,461	1,060,752	0	0	1,245,461	1,060,752
Public Health	20,508	25,186	0	0	20,508	25,186
Leisure Time Services	71,197	84,376	0	0	71,197	84,376
Community and Economic Development	5,316	5,416	0	0	5,316	5,416
Basic Utility Service	3,894	3,100	0	0	3,894	3,100
Transportation	116,290	195,913	0	0	116,290	195,913
Capital Outlay	1,071,255	224,385	0	0	1,071,255	224,385
Principal Retirement	103,500	60,000	0	0	103,500	60,000
Interest and Fiscal Charges	3,856	4,725	0	0	3,856	4,725
<i>Enterprise Operations:</i>						
Electric	0	0	9,448,033	7,568,919	9,448,033	7,568,919
Recycling	0	0	48,616	68,776	48,616	68,776
Sewer	0	0	1,006,993	637,284	1,006,993	637,284
Storm Water Utility	0	0	78,439	77,011	78,439	77,011
Utility Deposit	0	0	36,061	31,697	36,061	31,697
Water	0	0	415,812	378,768	415,812	378,768
Utility Snking	0	0	89,756	91,627	89,756	91,627
<i>Total Disbursements</i>	2,992,530	1,970,061	11,123,710	8,854,082	14,116,240	10,824,143
<i>Change in Net Position</i>	247,978	(71,907)	928,658	767,188	1,176,636	695,281
<i>Net Position Beginning of Year</i>	1,440,598	1,512,505	9,085,445	8,318,257	10,526,043	9,830,762
<i>Net Position End of Year</i>	\$ 1,688,576	\$ 1,440,598	\$ 10,014,103	\$ 9,085,445	\$ 11,702,679	\$ 10,526,043

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)
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Governmental Activities

Program receipts represent only 14 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 86 percent of the Village's total receipts, and of this amount, 62 percent are taxes. State and federal grants and entitlements make up 2 percent of the Village's general receipts. Other receipts, such as investments earnings and bonds issued make up 33 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 \$1,245,461 represents 42 percent of the total disbursements. Capital outlay disbursements were \$1,071,255, representing 36 percent of total distributions, primarily due to the purchase of a fire truck.

Business-type Activities

Business-type activities include water, sewer, electric, storm water, utility deposit and recycling operations. The receipts are generated primarily from charges for services. In 2017, capital grants increased by \$164,100 due to the Village receiving a grant from the Ohio Public Works Commission (OPWC).

The total disbursements for the utilities increased from \$8,854,082 to \$ 11,123,710 in 2017. This increase is primarily due to improvements made to the Village's municipal electric system in 2017. The increase in general receipts is due to proceeds received primarily from the AMP loan in 2017. The Village had an increase in net position of \$928,658 for the business-type activities.

The Village's Funds

Total governmental funds had receipts of \$2,344,549, exclusive of other financing sources, and disbursements of \$2,992,530, exclusive of other financing uses. The fund balance of the general fund increased \$39,458 for year-end 2017.

Net position in the sewer fund increased \$305,026, due to receipts continuing to outpace disbursements. The increase in intergovernmental receipts correlates with the offsetting increase in capital outlay disbursements from capital projects funded by capital grants.

Net Position in the electric fund increased \$325,176, due to increases in receipts from charges for services and AMP loan proceeds partially offset by an increase in total operating disbursements.

Village of Carey
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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.

During 2017, the Village amended its budgeted receipts. Final receipts and other financing sources were budgeted at \$1,622,345 which was \$154,570 higher than the original budget of \$1,467,775. Actual receipts and other financing sources were \$1,776,564 which was \$154,219 higher than the final budget.

Final disbursements and other financing uses were budgeted at \$2,362,670 while actual disbursements were \$1,737,106, as cost savings were recognized during the year. Final budgeted disbursements were \$187,591 higher than the original budget of \$2,175,079.

There were no significant variances to discuss within other financing sources and uses.

Debt Administration

Debt

At December 31, 2017, the Village's outstanding debt was \$7,940,985. Table 3 summarizes outstanding debt.

Table 3
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 825,400	\$ 68,966	\$ 0	\$ 0	\$ 825,400	\$ 68,966
Revenue Bonds	0	0	518,000	592,000	518,000	592,000
AMP Loan	0	0	5,253,071	3,695,028	5,253,071	3,695,028
OPWC Loans	0	0	72,767	130,853	72,767	130,853
OWDA Loans	0	0	1,212,093	1,253,365	1,212,093	1,253,365
Lease Purchase	14,914	0	44,740	0	59,654	0
<i>Total</i>	<u>\$ 840,314</u>	<u>\$ 68,966</u>	<u>\$ 7,100,671</u>	<u>\$ 5,671,246</u>	<u>\$ 7,940,985</u>	<u>\$ 5,740,212</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, 2017
(UNAUDITED)
(Continued)

Current Issues

The 2017 income taxes showed an upward trend, with the general fund seeing an increase of about 28 percent (\$236,870) over 2016 levels.

This was another year of completion for multiple utility related projects, as well as committing to new projects moving forward. The completion of the new 15MW CSP Electric Substation was one of the most pressing, but was also central to a further reduction of the Economic Development Administration (EDA) grant assistance for the project. On the first advertised bid, only one contractor submitted a bid. EDA policies require a minimum of 2 bids, so we were forced to put the project out for bid a 2nd time. The results of that bid did produce a 2nd bidder, but controversy over “old references”, “round number estimates” versus typical tallied, “detailed bids” produced a No Confidence vote by council, who awarded the contract to the alternate bidder (Vaughn Industries, headquartered here in Carey) – deemed by council to be the ‘lowest and best bid’ for the project and for the village, as allowed under ORC. That action, although legal, again triggered additional EDA policies implemented with regard to eligible grant assistance, and further reduced it by about \$700,000, to just \$418,000 of the original \$1.5M. When the dust cleared, so to speak, the project moved forward without incident and the substation construction was completed in December of 2017, leaving only the replacement of the 69kV wood poles with ductile iron – a separate piece of the same construction bid. We anticipate a full in-service switching date in mid-January 2018 for the substation itself, and a total project completion by mid to late March 2018.

Another phase of our planned system improvements, also completed during this same timeframe, was the ongoing distribution voltage conversion from 4,160 volts to 12,470 volts. This is important to the village economy for two main reasons: 1) meeting guaranteed existing and future power needs for anticipated economic growth of our industry, and 2) increased capacity of the distribution system (about 30%) to the community and residents, as a whole, but accomplished for a much lower capital investment. This work provided permanent service to the new school, the new commerce park, a second “loop” or internal tie circuit to provide source redundancy from the multiple substations, and backup from other village owned substations on opposite ends of town, which are also fed by redundant feeds from the national power grid. The remaining piece of the substation project (referred to above) involved replacement of all 72 of our 65 ft tall (wooden) 69kV poles, with ductile iron. The existing 40 year old wood poles were in “fair condition but rapidly approaching the end of their useful life” and the new ductile iron poles have a stated 75 year useful life. All of the existing conductors, insulators, switches and appurtenant devices will be transferred and re-used, as they are only about 15 years old.

The village has performed multiple due diligence investigations of a new, Automated Meter Reading / Automated Meter Information (AMR/AMI) system for both water and electric meters. That review has been expanded, and is actively pursuing utilization of one of four major communications methods available from multiple vendor platforms. The estimated price range for the entire system, installed, stretches from \$750-900,000 depending on the “bells and whistles” opted for at signing. There is presently no single bidder found in the state’s Cooperative Purchasing program, so a 2018 bid for that project is probable and specs are being developed currently.

Evaluation of the current water distribution system, specifically the standpipe and elevated storage tank continue, while a more aggressive maintenance program to stay ahead of equipment aging issues is being pursued as funds will allow. Preparation for the OEPA required Asset Management program are underway with an eye towards other utilities and services.

Village of Carey
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Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)
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The Design Phase of the wastewater treatment plant (financed through OWDA) is underway with both the increased storm flows and biological treatment requirements being addressed, to give us a little breathing room until collection system improvements can be implemented and permanently reduce those infiltration issues.

The Village applied for and was successful in obtaining a second grant through the Ohio Public Works Commission, Issue program to rehabilitate a 1970's era sanitary lift station serving the south west business corridor entering the village from the four-lane US 23. This will be a completely new station, replacing the vessel, mechanical equipment and controls and converting to a more easily serviced, safer technology which will not require Confined Space Entry by our personnel.

As part of our economic development efforts, we completed infrastructure improvements which serve the new Arrowhead Commerce Park, thanks to pledged grant assistance from both ODOT Jobs and Commerce (up to \$100,000) and Ohio Developmental Services Agency, 629 Roadway (up to \$112,250) funding. Since both were reimbursement funding, we entered into an agreement with the ODOT State Infrastructure Bank program for both this project and a second project to follow in 2018, allowing local funds to be spread over multiple years instead of imposing a stranglehold on the Capital Improvement budget accounts.

A new tenant has signed on to move into the Arrowhead Commerce Park: JM Smith Company will invest \$51.5M and generate about 50-60 jobs in their midwest pharmaceutical distribution arena. The initial anchor tenant for Arrowhead HANON, LLC has taken residence in 2017, and is already discussing a potential expansion for 2018. The first business to take advantage of the Community Reinvestment Area incentives, Wagner Ford, completed their first year of business at the new facility. This allowed for retention of 13 part time jobs and the expansion of 8 new full time jobs inside the Village.

The major equipment purchases during 2017 were limited. The largest note again being the new 107 ft Pierce Impel Aerial Ladder Fire Truck delivered in late 2016. The Village submitted the first of 20 semi-annual payments on the new vehicle in 2017.

Related to this item is another milestone event, that being the submission of the final payment on the Emergency Services Building. Other major items included an unmarked police vehicle for a Detective working as part of the WyCo Collaborative action with the Sheriff, other law enforcement agencies and the Metrich multi-jurisdictional Drug Enforcement group.

General upgrading of IT equipment and software, such as laptops, tablets, several replacement monitors and printers in various departments, antivirus and malware protection for all administrative, wastewater, public works, utility billing and electric computers is an ongoing process. But the decision to move to the Software Solutions, "Very Intelligent Portfolio" software module upgrades have been approved and is now in motion. Other than minor patches to individual modules, this is the first major upgrade of all our software systems in many years. Looking forward to the intuitive logic employed to make all our jobs easier.

No problems were experienced with the fire department operations during 2017. 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. The 1996 International with a Pierce pumper body was sold by sealed bids to another local Fire District, where it will continue to serve their needs for a few more years.

Village of Carey
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The two (2) megawatt solar array installed on the Village owned well field property and operated by Solar Planet Power, continues to operate well and produced approximately 2.6 megawatt-hours during 2017, down slightly from the prior year due to variation in hours of sunlight, changes in weather, etc. Additional hydropower sites along the Ohio River, which we subscribe to as AMP Joint Venture project participants, have come on line this year and have also added to the diversity of our power supply portfolio. Getting a little greener with each endeavor, and reducing the carbon footprint of both our Village residents and the local industrial base.

Electric Fund revenues remain stable for 2017, but may still need some upward adjustment in the foreseeable future to meet ever increasing O&M costs. A Consulting Engineer's Report is in progress, to allow moving from the AMP Line of Credit to a renewable Bond Anticipation Note, assisted by the OMAP program and the associated reduced interest rate. (The object of these funds include the outstanding balance of the \$5.5M substation and pole line project). Water Fund receipts are maintaining and when an AMI system is implemented should be increased conservatively 10-12 percent during the expected implementation year of 2018.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Alisha Wentz, Fiscal Officer, Village of Carey, 127 N. Vance Street, Carey, Ohio 43316-1056, telephone 419-396-7681 or email fiscalofficer@careyohio.org.

Village of Carey
Wyandot County, Ohio
Statement of Net Position-Cash Basis
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,688,576	\$ 10,014,103	\$ 11,702,679
Net Position			
Restricted for:			
Other Purposes	\$ 481,955	\$ 0	\$ 481,955
Unrestricted	1,206,621	10,014,103	11,220,724
<i>Total Net Position</i>	\$ 1,688,576	\$ 10,014,103	\$ 11,702,679

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, 2017

	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, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 351,253	\$ 1,299	\$ 16,795	\$ 0	\$ (333,159)	\$ 0	\$ (333,159)
Security of Persons and Property	1,245,461	25,787	24,989	103,066	(1,091,619)	0	(1,091,619)
Public Health	20,508	32,149	0	0	11,641	0	11,641
Leisure Time Services	71,197	25,439	8,901	0	(36,857)	0	(36,857)
Community and Economic Development	5,316	2,975	0	0	(2,341)	0	(2,341)
Basic Utility Service	3,894	0	0	0	(3,894)	0	(3,894)
Transportation	116,290	495	208,853	0	93,058	0	93,058
Capital Outlay	1,071,255	0	0	0	(1,071,255)	0	(1,071,255)
Debt Service:							
Principal Retirement	103,500	0	0	0	(103,500)	0	(103,500)
Interest and Fiscal Charges	3,856	0	0	0	(3,856)	0	(3,856)
Total Governmental Activities	2,992,530	88,144	259,538	103,066	(2,541,782)	0	(2,541,782)
Business-Type Activities							
Electric	9,448,033	8,285,411	2,257	0	0	(1,160,365)	(1,160,365)
Recycling	48,616	41,965	12,191	0	0	5,540	5,540
Sewer	1,006,993	422,331	2,098	164,100	0	(418,464)	(418,464)
Storm Water Utility	78,439	197,090	0	0	0	118,651	118,651
Utility Deposit	36,061	36,438	0	0	0	377	377
Water	415,812	622,304	1,589	0	0	208,081	208,081
Utility Snking	89,756	0	0	0	0	(89,756)	(89,756)
Total Business-Type Activities	11,123,710	9,605,539	18,135	164,100	0	(1,335,936)	(1,335,936)
Total Primary Government	\$ 14,116,240	\$ 9,693,683	\$ 277,673	\$ 267,166	(2,541,782)	(1,335,936)	(3,877,718)
General Receipts:							
Property Taxes Levied for:							
General Purposes					75,140	0	75,140
Income Taxes Levied for:							
General Purposes					1,078,595	0	1,078,595
Parks and Recreation					134,824	0	134,824
Capital Improvements					134,824	0	134,824
Debt Retirement					0	674,122	674,122
Other Local Taxes					312,438	0	312,438
Grants and Entitlements not Restricted							
to Sepcific Programs					64,322	0	64,322
Sale of Assets					36,025	0	36,025
Proceeds of Loans and Bonds					859,934	1,581,268	2,441,202
Investment Earnings					49,316	0	49,316
Miscellaneous					44,342	9,204	53,546
Total General Receipts					2,789,760	2,264,594	5,054,354
Change in Net Position					247,978	928,658	1,176,636
Net Position Beginning of Year					1,440,598	9,085,445	10,526,043
Net Position End of Year					\$ 1,688,576	\$ 10,014,103	\$ 11,702,679

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, 2017

	<u>General</u>	<u>Bond Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 781,370	\$ 0	\$ 907,206	\$ 1,688,576
Fund Balances				
Restricted	\$ 0	0	\$ 481,955	\$ 481,955
Committed	0	0	425,251	425,251
Assigned	781,370	0	0	781,370
Unassigned	0	0	0	0
<i>Total Fund Balances</i>	<u>\$ 781,370</u>	<u>\$ 0</u>	<u>\$ 907,206</u>	<u>\$ 1,688,576</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, 2017

	General	Bond Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 75,141	\$ 0	\$ 0	\$ 75,141
Income Taxes	1,078,595	0	269,648	1,348,243
Other Local Taxes	312,438	0	0	312,438
Special Assessments	363	0	0	363
Charges for Services	10,334	0	55,413	65,747
Licenses and Permits	4,369	0	0	4,369
Fines and Forfeitures	11,186	0	2,305	13,491
Intergovernmental	71,802	103,066	209,395	384,263
Interest	49,316	0	5,475	54,791
Rent	16,795	0	4,175	20,970
Contributions and Donations	10,875	0	13,949	24,824
Other	39,909	0	0	39,909
<i>Total Receipts</i>	<u>1,681,123</u>	<u>103,066</u>	<u>560,360</u>	<u>2,344,549</u>
Disbursements				
Current:				
General Government	351,253	0	0	351,253
Security of Persons and Property	1,236,775	0	8,686	1,245,461
Public Health	6,374	0	14,134	20,508
Leisure Time Services	0	0	71,197	71,197
Community Development	5,316	0	0	5,316
Basic Utility Service	3,894	0	0	3,894
Transportation	863	0	115,427	116,290
Capital Outlay	25,275	963,000	82,980	1,071,255
Debt Service:				
Principal Retirement	60,000	0	43,500	103,500
Interest and Fiscal Charges	2,400	0	1,456	3,856
<i>Total Disbursements</i>	<u>1,692,150</u>	<u>963,000</u>	<u>337,380</u>	<u>2,992,530</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,027)</u>	<u>(859,934)</u>	<u>222,980</u>	<u>(647,981)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	36,025	0	0	36,025
General Obligation Bonds Issued	0	859,934	0	859,934
Transfers In	59,416	0	44,956	104,372
Transfers Out	(44,956)	0	(59,416)	(104,372)
<i>Total Other Financing Sources (Uses)</i>	<u>50,485</u>	<u>859,934</u>	<u>(14,460)</u>	<u>895,959</u>
<i>Net Change in Fund Balance</i>	39,458	0	208,520	247,978
<i>Fund Balance Beginning of Year</i>	<u>741,912</u>	<u>0</u>	<u>698,686</u>	<u>1,440,598</u>
<i>Fund Balance End of Year</i>	<u>\$ 781,370</u>	<u>\$ 0</u>	<u>\$ 907,206</u>	<u>\$ 1,688,576</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Receipts				
Property Taxes	\$ 76,000	\$ 76,000	\$ 75,141	\$ (859)
Income Taxes	842,000	996,570	1,078,595	82,025
Other Local Taxes	311,000	311,000	312,438	1,438
Special Assessments	200	200	363	163
Charges for Services	15,400	15,400	10,334	(5,066)
Licenses and Permits	4,250	4,250	4,369	119
Fines and Forfeitures	9,010	9,010	11,186	2,176
Intergovernmental	68,349	69,849	71,802	1,953
Interest	37,100	37,100	49,316	12,216
Rent	16,000	16,000	16,795	795
Contributions and Donations	15,000	15,000	10,875	(4,125)
Other	61,500	60,000	39,909	(20,091)
<i>Total Receipts</i>	1,455,809	1,610,379	1,681,123	70,744
Disbursements				
Current:				
General Government	494,085	524,809	351,253	173,556
Security of Persons and Property	1,467,022	1,609,683	1,236,775	372,908
Public Health	8,000	8,000	6,374	1,626
Community and Economic Development	11,318	12,818	5,316	7,502
Basic Utility Service	5,000	5,000	3,894	1,106
Transportation	50,000	50,000	863	49,137
Capital Outlay	40,000	40,000	25,275	14,725
Debt Service:				
Principal Retirement	66,460	64,460	60,000	4,460
Interest and Fiscal Charges	944	2,944	2,400	544
<i>Total Disbursements</i>	2,142,829	2,317,714	1,692,150	625,564
<i>Excess of Receipts Over (Under) Disbursements</i>	(687,020)	(707,335)	(11,027)	696,308
Other Financing Sources (Uses)				
Sale of Assets	3,000	3,000	36,025	33,025
Bonds Issued	8,966	8,966	0	(8,966)
Transfers In	0	0	59,416	59,416
Transfers Out	(32,250)	(44,956)	(44,956)	0
<i>Total Other Financing Sources (Uses)</i>	(20,284)	(32,990)	50,485	83,475
<i>Net Change in Fund Balance</i>	(707,304)	(740,325)	39,458	779,783
<i>Fund Balance Beginning of Year</i>	741,912	741,912	741,912	0
<i>Fund Balance End of Year</i>	\$ 34,608	\$ 1,587	\$ 781,370	\$ 779,783

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, 2017

	Enterprise Funds			Total
	Sewer	Electric	Other Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,387,270</u>	<u>\$ 3,915,604</u>	<u>\$ 1,711,229</u>	<u>\$ 10,014,103</u>
Net Position				
Unrestricted	<u>\$ 4,387,270</u>	<u>\$ 3,915,604</u>	<u>\$ 1,711,229</u>	<u>\$ 10,014,103</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, 2017*

	Business-Type Activities			Totals
	Sewer	Electric	Other Enterprise Funds	
Operating Receipts				
Charges for Services	\$ 422,331	\$ 8,285,411	\$ 897,797	\$ 9,605,539
Operating Disbursements				
Personal Services	206,834	274,463	234,675	715,972
Fringe Benefits	118,888	146,044	106,188	371,120
Contractual Services	87,953	7,099,511	89,363	7,276,827
Materials and Supplies	30,341	56,771	84,603	171,715
Capital Outlay	364,789	1,526,243	64,098	1,955,130
Other	0	250,000	0	250,000
<i>Total Operating Disbursements</i>	<u>808,805</u>	<u>9,353,032</u>	<u>578,927</u>	<u>10,740,764</u>
<i>Operating Income (Loss)</i>	<u>(386,474)</u>	<u>(1,067,621)</u>	<u>318,870</u>	<u>(1,135,225)</u>
Non-Operating Receipts (Disbursements)				
Income Taxes	674,122	0	0	674,122
Intergovernmental	2,098	2,257	13,780	18,135
Proceeds from Loans	76,295	1,504,973	0	1,581,268
Other Non-Operating Revenues	0	7,495	1,709	9,204
Other Non-Operating Expenses	(6,464)	0	0	(6,464)
Principal Retirement	(175,653)	0	(74,000)	(249,653)
Interest and Fiscal Charges	(16,071)	(95,001)	(15,757)	(126,829)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>554,327</u>	<u>1,419,724</u>	<u>(74,268)</u>	<u>1,899,783</u>
<i>Income (Loss) Before Transfers and Capital Contributions</i>	167,853	352,103	244,602	764,558
Capital Contributions	164,100	0	0	164,100
Transfers In	0	0	89,756	89,756
Transfers Out	(26,927)	(26,927)	(35,902)	(89,756)
<i>Total Capital Contributions and Transfers</i>	<u>137,173</u>	<u>(26,927)</u>	<u>53,854</u>	<u>164,100</u>
<i>Change in Net Position</i>	305,026	325,176	298,456	928,658
<i>Net Position Beginning of Year</i>	<u>4,082,244</u>	<u>3,590,428</u>	<u>1,412,773</u>	<u>9,085,445</u>
<i>Net Position End of Year</i>	<u>\$ 4,387,270</u>	<u>\$ 3,915,604</u>	<u>\$ 1,711,229</u>	<u>\$ 10,014,103</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, 2017

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, 2017
(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 are the Village's major governmental funds:

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(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.

Bond Capital Project Fund The bond capital project fund accounts for the bonds, loans, and grants received and paid for the purchase of a fire truck for the Village.

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

Proprietary Funds

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

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

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

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

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

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(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 2017, 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 2017 amounted to \$49,316, which includes \$45,851 assigned from other Village funds.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(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, 2017
(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, 2017
(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, 2017, the Village has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Village.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Village.

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GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Village's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$-0- for the general fund.

Note 5 – Deposits and Investments

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

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

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;

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3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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, \$5,189,319 of the Village's bank balance of \$12,143,505 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.

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Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. Financial institutions are transitioning to OPCS, but some have been granted extensions that may carry over year end and will be collateralizing with their own collateral pool until they join OPCS. The Village's financial institution has received an extension for joining OPCS, and maintains their own collateral pool at year end.

Note 6 – Income Taxes

The Village levies a 1.5 percent income tax. By Council action on January 18, 2016, the first one percent of income tax receipt is divided as follows: 80 percent to the General Fund, 10 percent to the Parks Fund and 10 percent to the Capital Improvement Fund. The remaining one-half percent is placed in the Sewer Debt Retirement Fund, by Council action. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, if at least one percent tax is paid to another municipality on wages earned, that credit can be applied to the Village of Carey tax liability, with the other half percent payable to the Village of Carey. Ultimately, the total income tax payable must equal 1.5 percent of earned income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes were levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$1.90 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

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(Continued)

Category	Assessed Value
Real Estate	\$ 45,540,670
Public Utility Personal Property	599,290
Total Assessed Value	\$ 46,139,960

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

Note 8 – Risk Management

Public Entities Pool of Ohio

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements, and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other auditors) conform with general accepted accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and net position at December 31, 2017:

	2017
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

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At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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>	
2017	\$ 61,855

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

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

Buckeye Ohio Risk Management Association

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

As of December 31, 2016, the Pool had total reported assets of \$4,742,863 (the latest information available). The 2017 monthly premiums paid by the Village per covered employee were \$2,283 for family coverage, \$1,522 for two party coverage with spouse, \$1,370 for two-party coverage with child, and \$761 for single coverage. The monthly life insurance premium was \$1.74. The cost of coverage for premiums is paid out of each respective fund and division that pays the salary of the individuals covered under the plan. Employees contribute a portion of each monthly premium through payroll withholding. During 2017, the Village paid \$429,538 into the Pool for all covered benefits. The amount of risk retained by the Pool in 2016 was \$200,000 per individual; coverage in excess of this amount was provided by HCC Life Insurance Co.

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

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

Note 9 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability represents a 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.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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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 who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at 3 percent.

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

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	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.00 %
Post-employment Health Care Benefits	1.00 %
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 \$124,559 for 2017.

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.

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.

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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 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-W) 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
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2017 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$92,108 for 2017.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The Village's proportion 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 and pension expense:

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	OPERS	OPF	Total
Proportionate Share of the Net Pension Liability	\$ 1,848,433	\$ 1,010,700	\$ 2,859,133
Proportion of the Net Pension Liability:			
Current Measurement Period	0.00813990%	0.01595700%	
Prior Measurement Period	0.00870500%	0.01645400%	
Change in Proportionate Share	<u>-0.00056510%</u>	<u>-0.00049700%</u>	

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based

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on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets within 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 following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	<u>18.00</u>	<u>4.92</u>
Total	<u>100.00 %</u>	<u>5.66 %</u>

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Discount Rate The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. 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 contractually required rates, as actuarially determined. 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 7.50 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 (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Village's proportionate share of the net pension liability:	\$ 2,823,894	\$ 1,848,433	\$ 1,035,558

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, 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 retirement plan involve estimates of the value 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, 2016, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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 simple and 3.00 percent simple

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Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 OPF's 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, 2016, are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00 %	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income*	20.00	1.67	2.37
Global Inflation Protected Securities*	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Real Assets	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

OPF's Board of Trustees has incorporated the risk parity concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

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Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 earnings were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, OPF'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.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Village's proportionate share of the net pension liability:	\$ 1,346,133	\$ 1,010,700	\$ 726,417

Changes Between Measurement Date and Report Date

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

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

In order to qualify for health care coverage, age-and-service retirees under the traditional 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 Post Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 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 postemployment health care through 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 2017, 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.

Each year the OPERS Board 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 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the Village's contributions allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 were \$9,581, \$21,627, and \$21,924 respectively. The full amount has been contributed for all three years.

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 postemployment health care plan administered by OPF. OPF provides healthcare 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.

Village of Carey
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Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 health care coverage to eligible participants and to establish and amend benefits 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 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 to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. 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 the years ending December 31, 2017, 2016, and 2015 were \$2,424, \$1,906 and \$1,858, respectively. The full amount has been contributed for all three years.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 11 – Debt and Leases

Debt

Debt outstanding at December 31, 2017 was as follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
USDA Bonds	2.375%	868,900	April 1, 2027
OWDA Loan - WWTP Improvements	1.000%	2,240,415	January 1, 2027
OWDA Loan - Storm Sewer	1.000%	107,311	January 1, 2031
OWDA Loan - WWTP Improvements Design	3.140%	580,000	July 1, 2023
OPWC Loan - Sanitary Sewer	2.000%	691,976	July 1, 2018
OPWC Loan - Culvert Replacement	0.000%	57,774	January 20, 2026
AMP Loan - Electric Improvements	1.600%	5,500,000	December 31, 2034
2015 Revenue Bonds - Municipal Utilities Facility	2.625%	740,000	October 1, 2024

The Village's long-term debt activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental Activities					
Firehouse Bonds	\$ 60,000	\$ 0	\$ (60,000)	\$ 0	\$ 0
USDA Bonds	8,966	859,934	(43,500)	825,400	86,900
Lease Purchase	0	14,914	0	14,914	3,886
Total Governmental Activities	\$ 68,966	\$ 874,848	\$ (103,500)	\$ 840,314	\$ 90,786
Business-Type Activities					
OWDA Loan - WWTP Improvements	\$ 1,176,032	\$ 0	\$ (112,395)	\$ 1,063,637	\$ 113,521
OWDA Loan - Storm Sewer	77,333	0	(5,172)	72,161	5,225
OWDA Loan - WWTP Improvement Design	0	76,295	0	76,295	0
OPWC Loan - Sanitary Sewer	78,856	0	(52,309)	26,547	26,547
OPWC Loan - Culvert Replacement	51,997	0	(5,777)	46,220	5,777
Revenue Bonds - 2015 Municipal Utilities Facility	592,000	0	(74,000)	518,000	74,000
AMP Loan - Electric Improvements	3,695,028	1,558,043 *	0	5,253,071	0
Lease Purchase	0	44,740	0	44,740	11,658
Total Business-Type Activities	\$ 5,671,246	\$ 1,679,078	\$ (249,653)	\$ 7,100,671	\$ 236,728

*AMP Loan additions include capitalized interest in the amount of \$53,070.

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.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

The Village has pledged future water, sewer, electric and storm water receipts, net of specified operating disbursements to repay \$7,055,931 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 28.7 percent. The total principal and interest remaining to be paid on the loans is \$7,167,580. Principal and interest paid for the current year and total net receipts were \$373,968 and \$1,303,174, 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.

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, 2017 the Village has drawn down the full amount of the loan. The purpose of the loan is to make improvements to the Village's municipal electric system. The Village is only required to make interest payments on the loan until the completion of the project. The loan will be repaid with the Village's net receipts from the electric fund. A \$100,000 and \$200,000 payment was made on the loan in 2016 and 2015, respectively. At December 31, 2017, the amortization schedule was not available for this loan therefore, it is not included below.

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

On December 13, 2016 the Village issued \$868,900 in bonds for the purchase of a fire truck. The bonds have a 2.375 percent annual interest rate. The bonds will be repaid in annual installments of \$86,900, over a twenty year period, with final payment due April 1, 2027.

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

During 2017, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) in the amount of \$580,000 for Waste Water Treatment Plant improvements design. The loan has an annual interest rate of 3.14 percent. As of December 31, 2017 the Village has received \$76,295 of the proceeds. No amortization schedule is available until the loan is fully disbursed; therefore it is not included below.

On September 1, 2017 the Village entered into a loan agreement with the State Infrastructure Bank (SIB) through the Ohio Department of Transportation (ODOT) in the amount of \$329,250. The loan has an annual interest rate of 3 percent with a maturity date of September 1, 2022. As of December 31, 2017 no proceeds have been received by the Village.

Principal and interest requirements to retire debt outstanding at December 31, 2017, were as follows:

Year	General Obligation Bonds		Revenue Bonds		OWDA Loans		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 86,900	\$ 19,088	\$ 74,000	\$ 13,786	\$ 118,746	\$ 11,062	\$ 32,324	\$ 265	\$ 311,970	\$ 44,201
2019	86,900	17,024	74,000	11,817	119,937	9,873	5,778	0	286,615	38,714
2020	86,900	14,960	74,000	9,874	121,139	8,668	5,778	0	287,817	33,502
2021	86,900	12,896	74,000	7,878	122,353	7,455	5,778	0	289,031	28,229
2022	86,900	10,833	74,000	5,908	123,580	6,228	5,778	0	290,258	22,969
2023-2027	390,900	23,206	148,000	5,913	512,549	12,615	17,331	0	1,068,780	41,734
2028-2030	0	0	0	0	17,494	307	0	0	17,494	307
Total	\$ 825,400	\$ 98,007	\$ 518,000	\$ 55,176	\$ 1,135,798	\$ 56,208	\$ 72,767	\$ 265	\$2,551,965	\$209,656

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, 2016, were an overall debt margin of \$4,019,296 and an unvoted debt margin of \$1,712,298.

Lease Purchase

On December 8, 2017 the Village entered into a lease for new Ford F-450 truck. Payments on the lease will begin in March 2018. Outstanding lease payments are as follows:

Year	Amount
2018	\$ 16,380
2019	16,380
2020	16,380
2021	16,379
	<u>65,519</u>
Less: Interest	<u>5,865</u>
Total	<u>\$ 59,654</u>

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(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:			
Reinvestment and Enterprise Zone	\$ 0	\$ 2,000	\$ 2,000
Road Improvements	0	319,318	319,318
Cemetery	0	144,690	144,690
Police Operations	0	15,947	15,947
Total Restricted	0	481,955	481,955
Committed for:			
Capital Outlay	0	186,214	186,214
Recreation	0	230,366	230,366
Police Operations	0	8,671	8,671
Total Committed	0	425,251	425,251
Assigned for:			
Subsequent Year Appropriations	781,370	0	781,370
Unassigned	0	0	0
<i>Total Fund Balance</i>	<i>\$ 781,370</i>	<i>\$ 907,206</i>	<i>\$ 1,688,576</i>

Note 14 – Other Commitments and Contingencies

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 2,000 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.26 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from

Village of Carey
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$346,050. The Village received a credit of \$132,716 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$90,450 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU, leaving an estimated net impaired cost balance of \$122,884. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

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

Since March 31, 2014 the Village has made payments of \$130,761 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$4,117 and interest expense incurred on AMP's line-of-credit of \$1,044, resulting in a net credit balance for impaired cost estimate at December 31, 2017 of \$2,716. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU credit of \$9,334 resulting in a net credit balance for total potential liability of \$12,050, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

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

Note 15 – Interfund

During 2017, the Community Center Capital Improvement fund transferred \$59,416 to the General Fund. This transfer was made per Ordinance 2017-16 in order to comply with ORC 5705.13(c).

Note 16 – Tax Abatements

The Village of Carey has entered into tax abatement agreements with Continental Structural Plastics (CSP) of Ohio, Hanon Systems USA, and Wagner Ford, LLC for the abatement of real property taxes. Under the agreements established by Ohio Revised Code Sections 5709.632 and 3735.65 through 3735.70, the businesses agree to bring jobs and economic development into the Village in exchange for forgone property tax receipts.

Under the agreements, the Village's property tax receipts were abated by \$2,891.

VILLAGE OF CAREY
 WYANDOT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Direct Program</i>		
Community Facilities Loans and Grants Cluster		
Community Facilities Loans and Grants	10.766	\$973,040
UNITED STATES DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION		
<i>Direct Program</i>		
Economic Development Cluster		
Investments for Public Works and Economic Development Facilities	11.300	<u>7,560</u>
Total Expenditures of Federal Awards		<u><u>\$980,600</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF CAREY
WYANDOT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Carey, Wyandot County, Ohio (the Village) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 6, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 6, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Carey, Wyandot County, Ohio's (the Village's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village of Carey's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Carey complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 6, 2018

VILLAGE OF CAREY
 WYANDOT COUNTY

SCHEDULE OF FINDINGS
 2 CFR § 200.515
 DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Facilities Loans and Grants CFDA #10.766
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

VILLAGE OF CAREY

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER, 27 2018