



**Auditor of State  
Betty Montgomery**



**CITY OF BRYAN  
WILLIAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report .....	1
Combined Balance Sheet - All Fund Types and Account Groups.....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund .....	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Fund .....	6
Combined Statement of Revenues, Expenses, and Changes In Retained Earnings - All Proprietary Fund Types.....	9
Combined Statement of Cash Flows - All Proprietary Fund Types.....	10
Notes to the General-Purpose Financial Statements .....	12
Schedule of Federal Awards Expenditures .....	41
Notes to the Schedule of Federal Awards Expenditures.....	42
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	43
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	45
Schedule of Findings .....	47
Schedule of Prior Audit Findings .....	48

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

City of Bryan  
Williams County  
321 West Bryan Street  
Bryan, Ohio 43506-1243

To the City Council and Board of Public Affairs:

We have audited the accompanying general-purpose financial statements of the City of Bryan, Williams County, (the City) as of and for the year ended December 31, 2001. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

We were not able to obtain evidence of the valuation of infrastructure fixed assets in the Enterprise Fund at December 31, 2001 nor were we able to satisfy ourselves as to the value of these fixed assets by other auditing procedures. Infrastructure represents 35% percent of the assets in the Enterprise Fund.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding infrastructure fixed assets of the Proprietary funds, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Bryan, Williams County, as of December 31, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City reclassified its Communications Department Construction fund, formerly a Capital Projects fund, as an Enterprise fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

February 21, 2003

**THE CITY OF BRYAN, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2001**

	<i>Governmental Fund Types</i>				<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Expendable Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
<u>Assets and Other Debits:</u>										
Assets:										
Cash and Cash Equivalents	\$1,136,664	\$5,328,056	\$18,188	\$432,221	\$4,897,402	\$935,768	\$7,859	\$0	\$0	\$12,756,158
Receivables (net of allowance for doubtful accounts):										
Taxes	719,246	708,480	0	0	0	0	0	0	0	1,427,726
Accounts	9,077	0	0	0	1,466,704	260	0	0	0	1,476,041
Special Assessments	0	0	157,323	1,041,007	0	0	0	0	0	1,198,330
Interest	0	1,809	0	30	10,350	1,823	0	0	0	14,012
Loans	0	1,339,321	0	0	0	0	0	0	0	1,339,321
Due from Other Funds	0	15,563	0	0	0	0	0	0	0	15,563
Intergovernmental Receivables	497,360	701,129	0	32,500	748	0	0	0	0	1,231,737
Interfund Loans Receivable	0	0	0	0	2,500,000	0	0	0	0	2,500,000
Inventory of Supplies at Cost	0	70,649	0	0	1,163,441	0	0	0	0	1,234,090
Prepaid Items	31,660	15,741	0	0	207,269	0	0	0	0	254,670
Restricted Assets:										
Cash with Fiscal Agent	0	0	0	0	5,250	0	21,839	0	0	27,089
Investment in Joint Venture	0	0	0	0	1,013,088	0	0	0	0	1,013,088
Fixed Assets (net of accumulated depreciation)	0	0	0	0	24,367,526	0	0	16,620,899	0	40,988,425
Other Debits:										
Amount Available in Debt Service Fu	0	0	0	0	0	0	0	0	18,188	18,188
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	0	5,531,568	5,531,568
<b>Total Assets and Other Debits</b>	<b>\$2,394,007</b>	<b>\$8,180,748</b>	<b>\$175,511</b>	<b>\$1,505,758</b>	<b>\$35,631,778</b>	<b>\$937,851</b>	<b>\$29,698</b>	<b>\$16,620,899</b>	<b>\$5,549,756</b>	<b>\$71,026,006</b>

(Continued)

	<i>Governmental Fund Types</i>				<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Expendable Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
<b>Liabilities, Equity and Other Credits:</b>										
Liabilities:										
Accounts Payable	\$69,926	\$5,879	\$0	\$28,191	\$870,846	\$48,187	\$0	\$0	\$0	\$1,023,029
Accrued Wages and Benefits	118,144	12,804	0	0	76,361	0	0	0	0	207,309
Due to Other Funds	0	0	0	0	0	0	15,563	0	0	15,563
Due to Others	0	0	0	0	0	0	6,276	0	0	6,276
Claims Payable	0	0	0	0	0	107,332	0	0	0	107,332
Intergovernmental Payables	2,103	0	0	0	11,539	0	0	0	0	13,642
Interfund Loans Payable	0	0	0	0	2,500,000	0	0	0	0	2,500,000
Matured Bonds and Interest Payable	0	0	0	0	5,250	0	0	0	0	5,250
Accrued Interest Payable	0	0	0	6,825	76,673	0	0	0	0	83,498
Deferred Revenue	825,239	803,340	157,323	1,041,007	0	0	0	0	0	2,826,909
Compensated Absences Payable	32,957	4,874	0	0	598,118	0	0	0	726,756	1,362,705
Notes Payable	0	0	0	0	7,450,000	0	0	0	4,500,000	11,950,000
General Obligation Bond Payable	0	0	0	0	0	0	0	0	200,000	200,000
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0	0	0	0	0	123,000	123,000
<b>Total Liabilities</b>	<b>1,048,369</b>	<b>826,897</b>	<b>157,323</b>	<b>1,076,023</b>	<b>11,588,787</b>	<b>155,519</b>	<b>21,839</b>	<b>0</b>	<b>5,549,756</b>	<b>20,424,513</b>
Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	16,620,899	0	16,620,899
Contributed Capital	0	0	0	0	6,389,335	0	0	0	0	6,389,335
Retained Earnings:										
Unreserved	0	0	0	0	17,653,656	782,332	0	0	0	18,435,988
Fund Balances:										
Reserved for Encumbrances	127,563	70,186	0	160,202	0	0	0	0	0	357,951
Reserved for Supplies Inventory	0	70,649	0	0	0	0	0	0	0	70,649
Reserved for Prepaid Items	31,660	15,741	0	0	0	0	0	0	0	47,401
Reserved for Loans Receivable	0	1,339,321	0	0	0	0	0	0	0	1,339,321
Reserved for Debt Service	0	0	18,188	0	0	0	0	0	0	18,188
Unreserved:										
Undesignated	1,186,415	5,857,954	0	269,533	0	0	7,859	0	0	7,321,761
<b>Total Equity and Other Credits</b>	<b>1,345,638</b>	<b>7,353,851</b>	<b>18,188</b>	<b>429,735</b>	<b>24,042,991</b>	<b>782,332</b>	<b>7,859</b>	<b>16,620,899</b>	<b>0</b>	<b>50,601,493</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$2,394,007</b>	<b>\$8,180,748</b>	<b>\$175,511</b>	<b>\$1,505,758</b>	<b>\$35,631,778</b>	<b>\$937,851</b>	<b>\$29,698</b>	<b>\$16,620,899</b>	<b>\$5,549,756</b>	<b>\$71,026,006</b>

The notes to the general purpose financial statements are an integral part of this statement.



**THE CITY OF BRYAN, OHIO**  
**COMBINED STATEMENT OF REVENUES**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Fund	
<b>Revenues:</b>						
Taxes	\$1,050,616	\$4,776,042	\$0	\$0	\$0	\$5,826,658
Intergovernmental Revenues	1,363,674	1,043,159	0	0	0	2,406,833
Charges for Services	191,679	0	0	0	0	191,679
Licenses and Permits	18,491	0	0	0	0	18,491
Investment Earnings	273,959	44,187	0	4,723	0	322,869
Special Assessments	0	0	53,912	100,364	0	154,276
Fines and Forfeitures	597,427	194,842	0	0	0	792,269
All Other Revenues	404,930	341,001	0	34,043	1,011	780,985
Total Revenues	3,900,776	6,399,231	53,912	139,130	1,011	10,494,060
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	1,725,268	7,657	0	0	0	1,732,925
Public Health and Welfare	73,971	0	0	0	0	73,971
Leisure Time Activities	900,521	0	0	0	0	900,521
Community Environment	0	241,530	0	0	0	241,530
Transportation	0	1,047,443	0	0	0	1,047,443
General Government	2,251,163	477,056	0	0	180	2,728,399
Capital Outlay	0	0	0	2,650,230	0	2,650,230
Debt Service:						
Principal Retirements	0	0	146,000	0	0	146,000
Interest and Fiscal Charges	0	0	46,248	222,516	0	268,764
Total Expenditures	4,950,923	1,773,686	192,248	2,872,746	180	9,789,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,050,147)	4,625,545	(138,336)	(2,733,616)	831	704,277
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Note	0	0	0	4,500,000	0	4,500,000
Operating Transfers In	1,854,000	729,719	130,000	2,859,163	0	5,572,882
Operating Transfers Out	(405,329)	(5,918,427)	0	(31,719)	0	(6,355,475)
Total Other Financing Sources (Uses)	1,448,671	(5,188,708)	130,000	7,327,444	0	3,717,407
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	398,524	(563,163)	(8,336)	4,593,828	831	4,421,684
Restated Fund Balance (Deficit) at Beginning of Year	947,114	7,899,607	26,524	(4,164,093)	7,028	4,716,180
Increase in Inventory Reserve	0	17,407	0	0	0	17,407
Fund Balance at End of Year	\$1,345,638	\$7,353,851	\$18,188	\$429,735	\$7,859	\$9,155,271

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF BRYAN, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$1,086,570	\$972,803	(\$113,767)	\$4,761,500	\$4,757,167	(\$4,333)
Intergovernmental Revenues	814,550	1,230,750	416,200	1,081,610	1,049,613	(31,997)
Charges for Services	151,740	189,522	37,782	0	0	0
Licenses and Permits	16,620	19,056	2,436	0	0	0
Investment Earnings	400,000	311,805	(88,195)	51,280	48,463	(2,817)
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	605,800	597,547	(8,253)	199,900	190,082	(9,818)
All Other Revenues	273,650	388,593	114,943	169,201	449,818	280,617
Total Revenues	<u>3,348,930</u>	<u>3,710,076</u>	<u>361,146</u>	<u>6,263,491</u>	<u>6,495,143</u>	<u>231,652</u>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	1,878,366	1,785,728	92,638	37,850	9,747	28,103
Public Health and Welfare	105,163	90,611	14,552	0	0	0
Leisure Time Activities	1,020,174	942,210	77,964	0	0	0
Community Environment	0	0	0	1,035,330	1,032,530	2,800
Transportation	0	0	0	1,356,069	1,143,614	212,455
General Government	2,567,951	2,306,966	260,985	541,922	477,733	64,189
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>5,571,654</u>	<u>5,125,515</u>	<u>446,139</u>	<u>2,971,171</u>	<u>2,663,624</u>	<u>307,547</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,222,724)	(1,415,439)	807,285	3,292,320	3,831,519	539,199
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	2,400,000	1,854,000	(546,000)	850,000	729,719	(120,281)
Operating Transfers Out	(600,300)	(405,329)	194,971	(7,075,876)	(5,918,427)	1,157,449
Total Other Financing Sources (Uses)	<u>1,799,700</u>	<u>1,448,671</u>	<u>(351,029)</u>	<u>(6,225,876)</u>	<u>(5,188,708)</u>	<u>1,037,168</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(423,024)	33,232	456,256	(2,933,556)	(1,357,189)	1,576,367
Fund Balance at Beginning of Year	557,877	557,877	0	6,414,283	6,414,283	0
Prior Year Encumbrances	373,254	373,254	0	195,809	195,809	0
Fund Balance at End of Year	<u>\$508,107</u>	<u>\$964,363</u>	<u>\$456,256</u>	<u>\$3,676,536</u>	<u>\$5,252,903</u>	<u>\$1,576,367</u>

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

**THE CITY OF BRYAN, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	20,162	9,778	(10,384)
Special Assessments	55,500	53,912	(1,588)	100,000	100,364	364
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	22,062	1,543	(20,519)
Total Revenues	55,500	53,912	(1,588)	142,224	111,685	(30,539)
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	3,998,122	3,398,985	599,137
Debt Service:						
Principal Retirement	146,000	146,000	0	4,800,000	4,800,000	0
Interest and Fiscal Charges	46,248	46,248	0	227,600	225,778	1,822
Total Expenditures	192,248	192,248	0	9,025,722	8,424,763	600,959
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,748)	(138,336)	(1,588)	(8,883,498)	(8,313,078)	570,420
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	4,600,000	4,500,000	(100,000)
Operating Transfers In	130,000	130,000	0	3,285,184	2,859,163	(426,021)
Operating Transfers Out	0	0	0	(37,719)	(31,719)	6,000
Total Other Financing Sources (Uses)	130,000	130,000	0	7,847,465	7,327,444	(520,021)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,748)	(8,336)	(1,588)	(1,036,033)	(985,634)	50,399
Fund Balance at Beginning of Year	26,524	26,524	0	290,444	290,444	0
Prior Year Encumbrances	0	0	0	939,053	939,053	0
Fund Balance at End of Year	\$19,776	\$18,188	(\$1,588)	\$193,464	\$243,863	\$50,399

(Continued)

**THE CITY OF BRYAN, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Expendable Trust Fund</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$5,848,070	\$5,729,970	(\$118,100)
Intergovernmental Revenues	0	0	0	1,896,160	2,280,363	384,203
Charges for Services	0	0	0	151,740	189,522	37,782
Licenses and Permits	0	0	0	16,620	19,056	2,436
Investment Earnings	0	0	0	471,442	370,046	(101,396)
Special Assessments	0	0	0	155,500	154,276	(1,224)
Fines and Forfeitures	0	0	0	805,700	787,629	(18,071)
All Other Revenues	500	1,011	511	465,413	840,965	375,552
Total Revenues	500	1,011	511	9,810,645	10,371,827	561,182
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	1,916,216	1,795,475	120,741
Public Health and Welfare	0	0	0	105,163	90,611	14,552
Leisure Time Activities	0	0	0	1,020,174	942,210	77,964
Community Environment	0	0	0	1,035,330	1,032,530	2,800
Transportation	0	0	0	1,356,069	1,143,614	212,455
General Government	2,500	180	2,320	3,112,373	2,784,879	327,494
Capital Outlay	0	0	0	3,998,122	3,398,985	599,137
Debt Service:						
Principal Retirement	0	0	0	4,946,000	4,946,000	0
Interest and Fiscal Charges	0	0	0	273,848	272,026	1,822
Total Expenditures	2,500	180	2,320	17,763,295	16,406,330	1,356,965
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	831	2,831	(7,952,650)	(6,034,503)	1,918,147
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Notes	0	0	0	4,600,000	4,500,000	(100,000)
Operating Transfers In	0	0	0	6,665,184	5,572,882	(1,092,302)
Operating Transfers Out	0	0	0	(7,713,895)	(6,355,475)	1,358,420
Total Other Financing Sources (Uses)	0	0	0	3,551,289	3,717,407	166,118
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,000)	831	2,831	(4,401,361)	(2,317,096)	2,084,265
Fund Balance at Beginning of Year	7,028	7,028	0	7,296,156	7,296,156	0
Prior Year Encumbrances	0	0	0	1,508,116	1,508,116	0
Fund Balance at End of Year	\$5,028	\$7,859	\$2,831	\$4,402,911	\$6,487,176	\$2,084,265

**THE CITY OF BRYAN, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Charges for Services	\$15,838,313	\$1,026,985	\$16,865,298
Other Operating Revenues	164,356	0	164,356
Total Operating Revenues	<u>16,002,669</u>	<u>1,026,985</u>	<u>17,029,654</u>
<u>Operating Expenses:</u>			
Personal Services	3,600,945	0	3,600,945
Health Insurance Claims	0	1,103,563	1,103,563
Materials and Supplies	1,016,722	0	1,016,722
Contractual Services	10,232,910	0	10,232,910
Depreciation	2,120,488	0	2,120,488
Other Operating Expenses	98,128	0	98,128
Total Operating Expenses	<u>17,069,193</u>	<u>1,103,563</u>	<u>18,172,756</u>
Operating Loss	(1,066,524)	(76,578)	(1,143,102)
<u>Nonoperating Revenues (Expenses):</u>			
Proceeds from Lawsuit Settlement	1,550,000	0	1,550,000
Investment Earnings	222,838	37,517	260,355
Interest and Fiscal Charges	(415,034)	0	(415,034)
Income from Joint Venture	327,870	0	327,870
Other Nonoperating Revenue	275,354	0	275,354
Total Nonoperating Revenues (Expenses)	<u>1,961,028</u>	<u>37,517</u>	<u>1,998,545</u>
Income (Loss) Before Operating Transfers	894,504	(39,061)	855,443
<u>Operating Transfers:</u>			
Operating Transfers In	795,329	0	795,329
Operating Transfers Out	(12,736)	0	(12,736)
Total Operating Transfers	<u>782,593</u>	<u>0</u>	<u>782,593</u>
Net Income (Loss)	1,677,097	(39,061)	1,638,036
Restated Retained Earnings at Beginning of Year	15,502,149	821,393	16,323,542
Add: Depreciation on Contributed Capital	474,410	0	474,410
Retained Earnings at End of Year	<u>\$17,653,656</u>	<u>\$782,332</u>	<u>\$18,435,988</u>

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF BYRAN, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$16,648,447	\$1,026,725	\$17,675,172
Cash Payments for Goods and Services	(11,040,895)	(1,005,833)	(12,046,728)
Cash Payments to Employees	(3,582,164)	0	(3,582,164)
Net Cash Provided by Operating Activities	2,025,388	20,892	2,046,280
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	795,329	0	795,329
Other Nonoperating Revenue	264,054	0	264,054
Transfers Out to Other Funds	(12,736)	0	(12,736)
Proceeds from Lawsuit Settlement	1,550,000	0	1,550,000
Net Cash Provided by Noncapital Financing Activities	2,596,647	0	2,596,647
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(3,811,355)	0	(3,811,355)
Proceeds from Sale of General Obligation Notes	7,450,000	0	7,450,000
Capital Contributions from Joint Venture	191,878	0	191,878
Principal Retirement on Mortgage Revenue Bonds	(205,000)	0	(205,000)
Principal Retirement on General Obligation Notes	(9,000,000)	0	(9,000,000)
Interest and Fiscal Charges	(513,215)	0	(513,215)
Net Cash Used for Capital and Related Financing Activities	(5,887,692)	0	(5,887,692)
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	245,167	40,452	285,619
Net Cash Provided by Investing Activities	245,167	40,452	285,619
Net Increase (Decrease) in Cash and Cash Equivalents	(1,020,490)	61,344	(959,146)
Restated Cash and Cash Equivalents at Beginning of Year	5,923,142	874,424	6,797,566
Cash and Cash Equivalents at End of Year	\$4,902,652	\$935,768	\$5,838,420
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$4,897,402	\$935,768	\$5,833,170
Cash with Fiscal Agent	5,250	0	5,250
Cash and Cash Equivalents at End of Year	\$4,902,652	\$935,768	\$5,838,420

(Continued)

**THE CITY OF BYRAN, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Loss	(\$1,066,524)	(\$76,578)	(\$1,143,102)
Adjustments to Reconcile Operating Loss to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	2,120,488	0	2,120,488
Changes to Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	615,570	(260)	615,310
Decrease in Inventory	475,710	0	475,710
Decrease in Due from Other Funds	1,292	0	1,292
Decrease in Intergovernmental Receivables	26,805	0	26,805
Increase in Prepaid Items	(57,686)	0	(57,686)
Decrease in Special Assessments Receivable	2,111	0	2,111
Increase (Decrease) in Accounts Payable	(107,434)	48,187	(59,247)
Increase in Accrued Wages and Benefits Payable	9,262	0	9,262
Increase in Claims Payable	0	49,543	49,543
Decrease in Due to Other Funds	(1,187)	0	(1,187)
Decrease in Intergovernmental Payable	(2,164)	0	(2,164)
Increase in Compensated Absences Payable	9,145	0	9,145
Total Adjustments	<u>3,091,912</u>	<u>97,470</u>	<u>3,189,382</u>
Net Cash Provided by Operating Activities	<u>\$2,025,388</u>	<u>\$20,892</u>	<u>\$2,046,280</u>

At December 31, 2001, the Water, Sewer and Electric Funds had outstanding liabilities of \$3,194, \$1,989 and \$94,759 respectively for the purchase of capital assets. The City received capital contributions of \$191,878 from its equity interest in the Ohio Municipal Electric Generation Agency Joint Venture 4 (Omega JV-4).

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF BRYAN, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Bryan, Ohio (the "City") is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and its charter. Bryan was first incorporated as a village on March 21, 1852 and achieved city status on April 28, 1965. The City currently operates under and is governed by its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted in 1964.

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2001 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

**A. Reporting Entity**

The accompanying general purpose financial statements comply with the provisions of the Governmental Accounting Standards Board (the "GASB") Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which include the following services: police protection, health and social services, culture and recreation, planning, zoning, street maintenance, public improvements and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system, a refuse collection system, and electric distribution which are reported as enterprise funds.

**1. Joint Ventures with Equity Interest:**

*Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5)* - OMEGA JV-5 was organized by 42 subdivisions of the State of Ohio (the participants) on April 20, 1993 pursuant to a joint venture agreement under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake, construct, own, and operate the Belleville Hydroelectric Project. The participants are members of American Municipal Power-Ohio, Inc.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

1. Joint Ventures with Equity Interest: (Continued)

*Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV-4)* - OMEGA JV-4 was organized by the City of Bryan, the Villages of Edgerton, Montpelier, and Pioneer (the participants) on December 1, 1995 pursuant to a joint venture agreement under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to link the electric systems of the participants and to provide electric transmission service to the Village of Holiday City.

2. Joint Venture without Equity Interest:

*Multi-Area Narcotics Task Force* - The City of Bryan is a member of a drug task force which is a joint venture between Defiance, Paulding, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of the drug task force is to act as a joint task force in the fight against narcotics.

3. Jointly Governed Organization:

*Maumee Valley Planning Organization* - The City is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of the MVPO is to act as a joint regional planning commission to write and administer Community Development Block Grants (CDBG) and help with housing rehabilitation in the area.

The City's participation in these joint ventures and the jointly governed organization is further disclosed in Note 17 to the general purpose financial statements.

**B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

***Governmental Funds***

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except that accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, use and balances of financial resources).

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting** (Continued)

The following are the City's governmental fund types:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest other than that accounted for in the proprietary funds.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

***Proprietary Funds***

All proprietary funds are accounted for on an "economic measurement" focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains separate enterprise funds for its water, sewer, refuse, communications and electric utility services.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

***Fiduciary Funds***

Trust and Agency Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains one expendable trust fund and one agency fund. The expendable trust fund is accounted for and reported similarly to a governmental fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation - Fund Accounting** (Continued)

*Account Groups*

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt of the City except those accounted for in the proprietary funds.

**C. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds, expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Income taxes other than those withheld by employers, licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2001 but which are not intended to finance 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,"* the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is by fund. Budgetary modifications may only be made by ordinance of the City Council.

**1. Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

**2. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund level and may be modified during the year by Ordinance of City Council.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**2. Appropriations (Continued)**

Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the fund level. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council; however, the Mayor and Council President must approve the change. The City Clerk/Treasurer maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**3. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

**4. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**5. Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Budgetary Process** (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Fund
GAAP Basis (as reported)	\$398,524	(\$563,163)	(\$8,336)	\$4,593,828	\$831
Increase (Decrease):					
Accrued Revenues at December 31, 2001 received during 2002	(400,444)	(1,345,496)	0	(32,530)	0
Accrued Revenues at December 31, 2000 received during 2001	209,744	651,408	0	5,085	0
Accrued Expenditures at December 31, 2001 paid during 2002	223,130	23,557	0	35,016	0
Accrued Expenditures at December 31, 2000 paid during 2001	(210,275)	(40,060)	0	(598,675)	0
Note Retirements	0	0	0	(4,800,000)	0
2000 Prepays for 2001	16,514	7,459	0	0	0
2001 Prepays for 2002	(31,660)	(15,741)	0	0	0
Outstanding Encumbrances	(172,301)	(75,153)	0	(188,358)	0
Budget Basis	<u>\$33,232</u>	<u>(\$1,357,189)</u>	<u>(\$8,336)</u>	<u>(\$985,634)</u>	<u>\$831</u>

**E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), repurchase agreement and short-term certificates of deposit. The certificates of deposit and STAR Ohio are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. The City allocates interest among the various funds based upon applicable legal and administrative requirements. See Note 4, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

**G. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

**H. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

General fixed asset values were initially determined at December 31, 2001 by appraisal utilizing the services of Industrial Appraisal Associates. Land and proprietary infrastructure were valued by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The City has elected not to record depreciation in the General Fixed Assets Account Group.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation** (Continued)

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings	20 - 40
Improvements other than Buildings	50
Machinery, Equipment, Furniture and Fixtures	5 - 20

**I. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	Southeast Sewer Bond Retirement Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Mortgage Revenue Bond	Water Fund
Electric Fund Long Term Notes Payable	Electric Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Recycling Grant Fund, Refuse Collection Fund Water Fund, Sewer Fund, Electric Fund

**J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences** (Continued)

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the water and sewer enterprise funds when earned, and the related liability is reported within the fund.

**K. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

**L. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during 2001.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

**M. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, debt service, loans receivable and encumbered amounts which have not been accrued at year end.

**N. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the combined balance sheet because their use is limited for debt service payments and capital improvements. Other restricted assets consist of certain investments that are classified as revenue bond reserve, (cash with fiscal agent on the balance sheet), because these funds are being held by a trustee according to the terms of the revenue bond indenture.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Contributed Capital**

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation recognized on assets acquired or constructed through capital grants or contributions is closed to the appropriate contributed capital account. Net income or loss adjusted by the amount of depreciation on fixed assets acquired through contributed capital is closed to retained earnings.

**P. Total Columns on Combined Financial Statements - Overview**

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

***Deficit Fund Equities*** - The fund deficit of \$6,190 in the Municipal Building Construction Fund (capital projects fund) arose from the recognition of expenditures on the modified accrual basis which are greater than those on the cash basis. The retained earnings deficit of \$137,032 in the Communications Operations Fund (enterprise fund) arose from the recognition of expenses on the accrual basis which are greater than those on the cash basis. A deficit does not exist under the cash basis of accounting. The General Fund provides operating transfers when cash is required, not when accruals occur.

***Compliance*** - The City did not fully comply with 5705.41(D) of the Ohio Revised Code, which requires prior certification of funds. Also, the City did not comply with Omega Joint Venture 5 agreement, section 17(A), which requires the City to generate operating revenues at least equal to expenses as defined in the agreement.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES / RETAINED EARNINGS**

For the fiscal year ended December 31, 2001, the City has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues".

Certain adjustments were necessary to reclassify the Communications Department Construction Fund previously reported as a Capital Projects fund to an Enterprise Fund.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES / RETAINED EARNINGS (Continued)**

During fiscal year 2001, the City had a physical inventory taken on fixed assets reported in both the General Fixed Asset Account Group and those reported in the Enterprise Funds.

These restatements resulted in adjustments to December 31, 2000 account balances as follows:

Description	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets Account Group
Fund/Account Group Balance at 12/31/00 (as reported)	\$7,858,875	(\$6,405,699)	\$17,840,479	\$10,589,303
Gasb 33/36				
Implementation	40,732	0	0	0
Fund Reclassification	0	2,241,606	(2,241,606)	0
Restatement of				
Fixed Asset Balance	0	0	(96,724)	5,632,978
Fund/Account Group Balance at 12/31/00 (as restated)	<u>\$7,899,607</u>	<u>(\$4,164,093)</u>	<u>\$15,502,149</u>	<u>\$16,222,281</u>

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories./

Category 3 consists of "interim" funds - those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities 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;

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

***Deposits:***

- |            |   |
|------------|---|
| Category 1 | Insured or collateralized with securities held by the City or by its agent in the City's name.                                    |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.         |
| Category 3 | Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. |

***Investments:***

- |            |  |
|------------|--|
| Category 1 | Insured or registered, with securities held by the City or its agent in the City's name.   |
| Category 2 | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.                 |
| Category 3 | Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. |

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

At year end the carrying amount of the City's deposits was \$266,905 and the bank balance was \$603,713. Federal depository insurance covered \$300,765 of the bank balance and the remaining deposits were classified as Category 3.

Deposits classified as Category 3 are considered to be uninsured and uncollateralized even though all state statutory requirements have been followed, since non-compliance with federal requirements could potentially subject the City to successful claim by the FDIC.

**B. Investments**

The City's investments at December 31, 2001 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	Reported	<u>Fair Value</u>
		<u>Amount</u>	
Repurchase Agreements	\$1,378,483	\$1,378,483	\$1,378,483
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	11,134,589	11,134,589
Total Investments	\$1,378,483	\$12,513,072	\$12,513,072

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	Cash and Cash <u>Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$12,783,247	\$0
Less: Petty Cash	(3,270)	
Investments:		
Repurchase Agreements	(1,378,483)	1,378,483
STAR Ohio	(11,134,589)	11,134,589
Per GASB Statement No. 3	\$266,905	\$12,513,072

\* Includes Cash with Fiscal Agent.

**NOTE 5 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the City and used in business. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2000. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Bryan. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2001 was \$2.80 per \$1,000 of assessed value. The assessed value upon which the 2001 levy was based was \$193,719,280. This amount constitutes \$139,544,870 in real property assessed value, \$2,019,870 in public utility assessed value and \$52,154,540 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .280% (2.80 mills) of assessed value.

**B. Income Tax**

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 6 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2001:

Fund	Transfer In	Transfer Out
General Fund	\$1,854,000	\$405,329
Special Revenue Funds:		
Income Tax 1% Fund	0	2,855,722
Income Tax 1/2% Fund	31,719	3,062,705
Street Construction, Maintenance and Repair Fund	698,000	0
Total Special Revenue Funds	729,719	5,918,427
Debt Service Fund:		
Southeast Sewer Bond Retirement Fund	130,000	0
Capital Projects Funds:		
Capital Improvements Fund	650,000	0
East South Street Culvert Replacement Fund	11,208	4
Generator Maintenance Fund	12,736	0
Municipal Building Construction Fund	515,722	0
I and I Sewer Lining Fund	0	14
Downtown Traffic Improvements Fund	0	22,062
Ditch 40 Project	1,643,466	0
Industrial Complex Road Fund	0	31
Parking & Beautification Fund	39	0
Pigeon Run Fund	0	5,516
Downtown Parking Lot Fund	25,992	0
Traffic Lights Fund	0	339
GIS System Fund	0	2,555
Butler Street 500 Block Fund	0	1,198
Total Capital Projects Funds	2,859,163	31,719
Enterprise Funds:		
Sewer Fund	390,000	0
Electric Fund	405,329	12,736
Total Enterprise Funds	795,329	12,736
Totals	<u>\$6,368,211</u>	<u>\$6,368,211</u>

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2001 consisted of taxes, accounts receivables, special assessments receivable, loans receivable, interest receivable and intergovernmental receivables arising from shared revenues.



**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at December 31, 2001 consist of the following:

**A. Due to/from Other Funds**

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds:		
Municipal Court House Bill 405 Fund	\$8,045	\$0
Indigent Drivers Alcohol Treatment Fund	268	0
Enforcement and Education Fund	36	0
Court Special Projects Fund	7,214	0
Total Special Revenue Funds	<u>15,563</u>	<u>0</u>
Agency Fund:		
Municipal Court Fund	0	15,563
Totals	<u>\$15,563</u>	<u>\$15,563</u>

**B. Interfund Loans Receivable/Payable**

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
Enterprise Funds:		
Electric Fund	\$2,500,000	\$0
Communications Operations Fund	0	2,500,000
Total	<u>\$2,500,000</u>	<u>\$2,500,000</u>

**NOTE 9 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by Category of changes in general fixed assets:

<u>Category</u>	<u>Restated December 31, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2001</u>
Land	\$2,179,835	\$80,000	\$0	\$2,259,835
Buildings and Improvements	8,732,277	74,966	0	8,807,243
Machinery and Equipment	5,310,169	270,451	(26,799)	5,553,821
Totals	<u>\$16,222,281</u>	<u>\$425,417</u>	<u>(\$26,799)</u>	<u>\$16,620,899</u>

**NOTE 9 - FIXED ASSETS** (Continued)**B. Proprietary Fixed Assets**

Summary by Category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$898,304	\$0	\$898,304
Buildings and Improvements	8,949,076	(3,601,972)	5,347,104
Infrastructure	15,084,972	(6,494,003)	8,590,969
Machinery and Equipment	37,131,234	(28,894,296)	8,236,938
Construction in Progress	1,294,211	0	1,294,211
Property, Plant and Equipment	\$63,357,797	(\$38,990,271)	\$24,367,526

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

**A. Public Employees Retirement System (the "PERS of Ohio")**

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$630,766, \$472,857 and \$544,351, respectively, which were equal to the required contributions for each year.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

**A. Public Employees Retirement System (the “PERS of Ohio”)** (Continued)

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$200,169.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

**B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

**B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)**

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$148,321, \$142,683 and \$135,473 for police and \$42,227, \$42,186 and \$42,727 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$55,047 representing 7.5% of covered payroll for police and \$13,196 representing 7.5% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

**NOTE 11 – COMPENSATED ABSENCES**

The City provides a liability for accumulated unpaid sick, vacation, and compensatory time when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The amount increased from a beginning year balance of \$723,373 to a year end balance of \$726,756.

At December 31, 2001, the total accumulated unpaid compensated absences time recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	37,247	\$639,104
Vacation	5,462	65,974
Compensatory Time	<u>1,406</u>	<u>21,678</u>
Total	<u>44,115</u>	<u>\$726,756</u>

**NOTE 12 - NOTES PAYABLE**

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. The notes payable are considered to be general obligations of the City.

	Balance January 1, 2001	Issued (Retired)	Balance December 31, 2001
Capital Projects Fund Notes Payable:			
4.45% Municipal Building Construction	\$4,800,000	(\$4,800,000)	\$0

**NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2001 were as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
<b>Enterprise Funds:</b>					
Mortgage Revenue Bond:					
4.80 - 5.90%	Water Tower Construction	2001	\$205,000	(\$205,000)	\$0
Electric Fund Long Term Notes Payable:					
4.75%	Cable Facilities and Improvements	2001	9,000,000	(9,000,000)	0
2.85%	Cable Facilities and Improvements	2002	0	7,450,000	7,450,000
	Total Electric Fund Long Term Notes Payable		<u>9,000,000</u>	<u>(1,550,000)</u>	<u>7,450,000</u>
	Total Enterprise Long-Term Debt		<u>\$9,205,000</u>	<u>(\$1,755,000)</u>	<u>\$7,450,000</u>
<b>General Long-Term Debt:</b>					
General Obligation Bond:					
10.00%	Southeast Sewer Improvement	2003	\$300,000	(\$100,000)	\$200,000
Special Assessment Bonds					
with Governmental Commitment:					
12.25%	Perry Street		70,000	(35,000)	35,000
7.75%	Street Lighting and East End Sewer		99,000	(11,000)	88,000
	Total Special Assessment Debt				
	with Governmental Commitment		169,000	(46,000)	123,000
Long Term Note Payable:					
2.10%	Municipal Building Construction		0	4,500,000	4,500,000
<b>Other Long-Term Obligations:</b>					
	Compensated Absences		723,373	3,383	726,756
	Total Other Long-Term Obligations		<u>723,373</u>	<u>3,383</u>	<u>726,756</u>
	Total General Long-Term Debt and				
	Other Long-Term Obligations		<u>\$1,192,373</u>	<u>\$4,357,383</u>	<u>\$5,549,756</u>

**NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

The principal amount of the City's special assessment debt outstanding at December 31, 2001, \$123,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$18,188 in the Special Assessment Bond Retirement Fund at December 31, 2001 is reserved for the retirement of outstanding special assessment bonds.

The City entered into a loan agreement with American Municipal Power – Ohio, Inc. (AMP-Ohio) for an amount up to \$9,000,000 for the purpose of providing financing for the acquisition and installation of fiber-optic and coaxial cable facilities and other electric system improvements. The Electric Operating Fund is to pay the loan made by AMP-Ohio together with interest thereon equal to the rate(s) of interest on the Electric System Improvement Bond Anticipation Notes (the Notes) to be issued by AMP-Ohio in one or more series, or on notes issued to refund the Notes, or on the Electric System Improvement Bonds to be issued by AMP-Ohio in anticipation of which Bonds the Notes are issued.

On the maturity date of each series of the Notes maturing on or before August 27, 2003, the City will pay to AMP-Ohio all interest due on the Notes plus any amount of principal up to the original principal amount of such series, and on the maturity date of such series of the Notes plus an amount of principal equal to the amount of principal amount which would be due in the corresponding year on a loan in the original amount of such series, for a term of 20 years, at the interest rate borne by such series of the Notes.

AMP-Ohio will use its best efforts to refinance any remaining principal of any series of the Notes; provided, however, that if AMP-Ohio is unable to refinance any series of the Notes, it shall give the City and the original purchaser of the Notes 30 days notice of such inability, and the City shall pay to AMP-Ohio all amounts necessary to retire such series of the Notes at maturity.

**NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

**A. Joint Ventures**

The City also is a participant in two joint ventures, one of which has issued Certificates of Beneficial Interest (See Note 17). The debt service payment obligations of the joint ventures' participants, payable from each participants' user charges, is subject only to the prior payment of the operation and maintenance expenses. In case of default by a participant, the remaining participants become liable for that participant's debt service payments. The Certificates of Beneficial Interest are fully insured in case of total default by all of the participants. No defaults have occurred to date on either of these joint ventures.

The debt associated with OMEGA JV-5 amounts to 2.19 percent of \$197,825,000 or approximately \$4,332,368 on which principal payments began February 15, 1998. The total principal retirements and the portion that will be paid by the City is as follows:

Years	Certificates of Beneficial Interest	City of Bryan Share
2002	\$3,280,000	\$71,832
2003	3,445,000	75,446
2004	3,620,000	79,278
2005	3,800,000	83,220
2006	4,000,000	87,600
2007-2024	179,680,000	3,934,991
Totals	<u>\$197,825,000</u>	<u>\$4,332,368</u>

**B. Long-Term Funding Requirements**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 were as follows:

Years	General Obligation Bond		Special Assessment Bonds		Long Term Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$100,000	\$20,000	\$46,000	\$11,108	\$4,500,000	\$94,500
2003	100,000	10,000	11,000	5,968	0	0
2004	0	0	11,000	5,115	0	0
2005	0	0	11,000	4,263	0	0
2006	0	0	11,000	4,263	0	0
2007-2009	0	0	33,000	7,673	0	0
Totals	<u>\$200,000</u>	<u>\$30,000</u>	<u>\$123,000</u>	<u>\$38,390</u>	<u>\$4,500,000</u>	<u>\$94,500</u>

Debt of the enterprise funds is recorded within the enterprise funds. All other long-term debt is reflected in the General Long-Term Obligations Account Group.

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; health and dental.

The City established a Self-Insurance Fund (internal service fund) to account for and finance its health and dental uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$35,000 for health insurance claims per individual and \$1,000 for dental claims per individual. The plan is administered by a third party administrator, Blue Cross and Blue Shield of Ohio, which monitors all claim payments. The dental care program is administered by The Guardian. The City purchases insurance for claims in excess of health insurance coverage provided by the Self-Insurance Fund. All departments of the City participate in the program and make payments to the Self-Insurance Fund based on participation of employees and their dependents.

The City does not use an internal service fund for other potential risks of loss. The departments account for and finance other uninsured risks of loss. The funds provide coverage for up to a maximum of \$1,000,000 for each general liability claim and \$1,000,000 for property damage. The City purchases commercial insurance for claims in excess of coverage provided by the departments for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

In addition, the City pays unemployment claims to the State of Ohio as incurred.

The claims liability of \$107,332 reported in the fund at December 31, 2001 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2000 and 2001 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2000	\$68,769	\$888,397	(\$899,377)	\$57,789
2001	57,789	1,055,376	(1,005,833)	107,332

**NOTE 15 - CONTRIBUTED CAPITAL**

During 2001 there were changes to contributed capital. The contributed capital balances as of December 31, 2001 are presented below:

	Water Fund	Sewer Fund	Total
Balance Beginning of Year	\$140,362	\$6,723,383	\$6,863,745
Less: Depreciation on Contributed Capital	(13,118)	(461,292)	(474,410)
Balance at End of Year	<u>\$127,244</u>	<u>\$6,262,091</u>	<u>\$6,389,335</u>



**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Included in the services provided by the City financed primarily by user charges are refuse collection, water treatment and distribution, wastewater collection and treatment, electric utility services and cable services. The key financial information for the year ended December 31, 2001 for these enterprise activities is indicated below:

	Refuse		Sewer	Electric	Communication	Total
	Collection	Water			Operations	
Operating Revenues	\$602,379	\$1,297,692	\$658,817	\$12,717,249	\$726,532	\$16,002,669
Depreciation	17,959	195,087	463,674	1,073,034	370,734	2,120,488
Operating Income (Loss)	(17,897)	(202,477)	(593,570)	187,708	(440,288)	(1,066,524)
Operating Transfers In	0	0	390,000	405,329	0	795,329
Operating Transfers Out	0	0	0	(12,736)	0	(12,736)
Net Income (Loss)	3,573	(102,576)	(191,167)	2,359,350	(392,083)	1,677,097
Property, Plant and Equipment:						
Additions	17,785	71,854	19,447	3,512,048	23,266	3,644,400
Assets	613,546	4,345,910	9,661,490	18,608,260	2,402,572	35,631,778
Net Working Capital	350,724	764,321	451,424	(92,106)	(2,213,868)	(739,505)
Notes Payable	0	0	0	7,450,000	0	7,450,000
Total Equity	552,642	4,183,455	9,542,403	9,901,523	(137,032)	24,042,991

**NOTE 17 - JOINT VENTURES****A. Joint Ventures with an Equity Interest**

**Ohio Municipal Electric Generation Agency Joint Venture 4 (Omega JV-4)** - The City is a participant with three subdivisions within the State of Ohio in a joint venture to link the electric systems of the participants and to provide electric transmission service to the village of Holiday City. The Omega JV-4 was created for that purpose. On dissolution of the joint venture, the net assets of Omega JV-4 will be shared by the participants on a percentage basis. The Omega JV-4 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The City's net investment and its share of the operating results of Omega JV-4 are reported in the City's electric fund (an enterprise fund). The City's equity interest in Omega JV-4 was \$871,426 at December 31, 2001. Complete financial statements for Omega JV-4 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219, or from the City's Clerk/Treasurer.

**Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5)** - The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. On dissolution of the joint venture, the net assets of Omega JV-5 will be shared by the participants on a percentage basis. The Omega JV-5 is managed by AMP-Ohio which acts

**NOTE 17 - JOINT VENTURES (Continued)**

**A. Joint Ventures with an Equity Interest** (Continued)

as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$209,540,000 certificates of beneficial interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the City remitted \$418,138 to the joint venture for 2001. The City's net investment and its share of the operating results of Omega JV-5 are reported in the City's electric fund (an enterprise fund). The City's equity interest in Omega JV-5 was \$141,662 at December 31, 2001. Complete financial statements for Omega JV-5 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio, 43219, or from the City's Clerk/Treasurer.

**B. Joint Venture without Equity Interest**

***Multi-Area Narcotics Task Force (the Task Force)*** - The City of Bryan is a member of a drug task force which is a joint venture between Defiance, Paulding, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of the Task Force is to act as a joint task force in the fight against narcotics. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity.

The main source of revenue for the Task Force is from federal grants and local matching shares by the entities. The City has an ongoing financial responsibility to the Task Force. The City has indirect access to the net resources of the Task Force since the City is able to influence the Task Force to use its surplus resources to undertake projects of interest to the City's residents. This access to the net resources of the Task Force has not been explicitly defined, nor is it currently measurable. The City contributed \$9,116 to the Task Force in 2001. Complete financial statements for the Task Force can be obtained through the Defiance County Sheriff's Office located at 113 Biede Street, Defiance, Ohio 43512.

**C. Jointly Governed Organization**

**Maumee Valley Planning Organization** - The City is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of the MVPO is to act as a joint regional planning commission to write and administer Community Development Block Grants (CDBG) and help with housing rehabilitation in the area.

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main source of revenue is fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2001, the City paid administrative fees of \$44,610 to MVPO.

**NOTE 18 - CONTINGENCIES**

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**NOTE 19 – SETTLEMENT FROM LAWSUITS**

The City received \$1,550,000 from its insurance company to settle an insurance claim for ice damage to the Auglaize Power Dam.

**THE CITY OF BRYAN, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Balance December 31, 2000	Additions	Deductions	Balance December 31, 2001
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$15,159	\$2,354,050	(\$2,347,370)	\$21,839
Total Assets	<u>\$15,159</u>	<u>\$2,354,050</u>	<u>(\$2,347,370)</u>	<u>\$21,839</u>
Liabilities:				
Due to Other Funds	\$10,803	\$2,347,774	(\$2,343,014)	\$15,563
Due to Others	4,356	6,276	(4,356)	6,276
Total Liabilities	<u>\$15,159</u>	<u>\$2,354,050</u>	<u>(\$2,347,370)</u>	<u>\$21,839</u>

**CITY OF BRYAN  
WILLIAMS COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> <i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant (Economic Development)	A-E-01-098-1	14.228	\$500,000
Community Development Block Grant (Economic Development)	A-E-01-098-1	14.228	5,000
Community Development Block Grant (CHIP)	A-E-99-098-1	14.228	<u>224,530</u>
Total U.S. Department of Housing and Urban Development			<u><b>729,530</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b> <i>Passed Through the Office of Criminal Justice Services:</i>			
Local Law Enforcement Block Grant	99-LE-LEB-3057	16.592	<u>2,377</u>
Total U.S. Department of Justice			<u><b>2,377</b></u>
<b>Total</b>			<u><b>\$731,907</b></u>

*The accompanying notes are an integral part of this schedule.*

**CITY OF BRYAN  
WILLIAMS COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2001

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2001, the gross amount of loans outstanding under this program was \$1,339,321.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Bryan  
Williams County  
321 West Bryan Street  
Bryan, Ohio 43506-1243

To the City Council and Board of Public Affairs:

We have audited the financial statements of the City of Bryan, Williams County, Ohio (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 21, 2003, which was qualified for an insufficiency of evidence supporting the valuation of infrastructure fixed assets in the Enterprise Fund. We also noted that the City reclassified a capital projects fund as an enterprise fund. Except as discussed in the first sentence above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-20186-001 and 2001-20186-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a letter dated February 21, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-20186-003 and 2001-20186-004.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-20186-003 and 2001-20186-004 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated February 21, 2003.

This report is intended solely for the information and use of the audit committee, City Council, the Board of Public Affairs, management, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

February 21, 2003





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

City of Bryan  
Williams County  
321 West Bryan Street  
Bryan, Ohio 43506-1243

To the City Council and Board of Public Affairs:

**Compliance**

We have audited the compliance of the City of Bryan, Williams County, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated February 21, 2003.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, City Council, the Board of Public Affairs, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

February 21, 2003

**CITY OF BRYAN  
WILLIAMS COUNTY**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2001

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Qualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Community Development Block Grant Program (CDBG) - CFDA # 14.228
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2001-20186-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**FINDING NUMBER 2001-20186-001**  
**(Continued)**

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the City Council.

Thirty percent of the transactions tested were not authorized prior to purchase and neither of the exceptions listed above were used. This procedure is not only required by Ohio law, it is also a key control in the disbursement process. This control ensures that purchase commitments receive prior approval which helps to reduce the possibility of funds being over expended. To improve controls over disbursements, we recommend that the Clerk-Treasurer certify all disbursements and that Council periodically review the expenditures to ensure that they are properly certified by the Clerk-Treasurer and are recorded against appropriations.

**FINDING NUMBER 2001-20186-002**

**Noncompliance Citation**

Omega Joint Venture 5 Agreement, Section 17(A), states that each participant covenants that it shall fix, charge and collect rates, fees and charges, and from time to time, revise such rates, fees, and charges for electric power and energy and other services, facilities, and commodities sold, furnished, supplied, and otherwise provided by its municipal electric utility system at least sufficient in each year to provide revenues equal to the greater of:

- (1) the sum of operating expenses, including its share of Operating and Maintenance Expenses under this Joint Venture Agreement and 110% of the sum of debt service on any outstanding senior lien electric system revenue obligations of the Participant and its share of Bond Debt Service payments, payable in such Year, and
- (2) the sum of operating expenses, including its share of Operating and Maintenance Expenses under this Joint Venture Agreement, its share of Bond Debt Service Payments, debt service on outstanding electric system revenue obligations of the Participant, and all other amounts payable from such revenues including, without limitation, debt service on general obligation or other tax supported debt incurred for purposes of the Participant's municipal electric utility system, and its share of Other Bond Payments and Other Required Payments, payable in such Year.

In 2001, the City provided operating revenues of \$12,630,460 in the Electric Fund. Total operating and maintenance expenses, including 110% of Electric Fund debt service was \$13,650,764 in 2001 which resulted in expenses, as defined in the joint venture agreement, exceeding operating revenues by \$1,020,304. This was partially attributed to the City retiring Electric Fund notes of \$1,550,000 after receiving insurance settlement proceeds for the ice damage to the Auglaize Dam in 2001. We recommend that the City monitor the above requirements in order to ensure that it is adhering to the covenants of the Omega JV5 Joint Venture Agreement

**FINDING NUMBER 2001-20186-003**

**Material Weakness – Fixed Assets**

The City could not provide a master list of Proprietary funds' infrastructure fixed assets at December 31, 2001 that directly traced to the amounts recorded on the financial statements.

Incomplete fixed asset records may hinder detecting whether or not there has been a loss of property and could result in inaccurate insurance claims being filed.

In order to provide a more accurate record of fixed assets, we recommend that a master list of Proprietary Funds' infrastructure fixed assets be generated that directly traces to the amounts reported on the financial statements. A list of infrastructure additions and deletions should also be retained and periodically updated to the infrastructure fixed asset listing.

**FINDING NUMBER 2001-20186-004**

**Material Weakness – Classification of Enterprise Fixed Assets**

No system exists at the City to ensure that all assets acquired during the year are properly identified, classified, and capitalized when payments are made from invoices. This contributed to the City improperly coding \$1,092,858 in the Electric Fund fixed asset additions as operating expenses in 2001 which required audit adjustments that materially affected the income statement, balance sheet, and cash flow statement in the Electric Fund.

In order to ensure that all assets are properly classified and included in the financial statements, we recommend that the City implement procedures that require departments to identify capital expenditures for every purchase made. This process would also have the departments identify fixed assets by type (i.e., machinery, building improvements, etc) and, if necessary, by project (i.e., cable system, power dam, etc.). This could necessitate the establishment of separate capital outlay line items that only include assets that are to be capitalized as well as descriptions of what those assets are. If repairs are included in a purchase made for a capital asset, they should be separately identified on the invoice as well.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**CITY OF BRYAN  
WILLIAMS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-20186-001	5705.41 (D) - Purchase orders were not properly encumbered	No	Not Corrected - Further corrective action will be taken by the City in the future. Reissued as finding 2001-20186-001.
2000-20186-002	5705.41(B) – Expenditures exceeded appropriations in the Electric fund	Yes	Corrected – All funds had expenditures within appropriations.
2000-20186-003	Material Weakness - Fixed Assets	Partially	Partially corrected – Infrastructure in the Proprietary fund is the only segment of Fixed Assets that cannot be determined. Reissued as 2001-20186-003.
2000-20186-004	Reportable Condition on Bank Reconciliations	Yes	The City has completed its 2001 monthly bank reconciliations.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF BRYAN**

**WILLIAMS 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  
MARCH 25, 2003**