



**Auditor of State
Betty Montgomery**

**CITY OF BRYAN
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Bryan
Williams County
103 N. Beech Street
Bryan, Ohio 43506-1235

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, 2002, as listed in the table of contents. 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 unable to obtain evidence of the valuation of infrastructure fixed assets in the Enterprise funds at December 31, 2002 nor were we able to satisfy ourselves as to the value of these fixed assets by other auditing procedures. Infrastructure represents 24% percent of the assets in the Enterprise funds.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to examine evidence regarding the infrastructure fixed assets of the Enterprise 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 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

October 2, 2003

THE CITY OF BRYAN, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

	<i>Governmental</i>			<i>Proprietary</i>		<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)	
	<i>Fund Types</i>			<i>Fund Types</i>		<i>Fund Types</i>	<i>Groups</i>			
	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	
Assets and Other Debits:										
Assets:										
Cash and Cash Equivalents	\$1,314,599	\$5,657,183	\$12,294	\$824,874	\$5,727,941	\$1,051,194	\$9,295	\$0	\$0	\$14,597,380
Cash with Fiscal Agent	0	0	0	0	0	0	34,252	0	0	34,252
Receivables (net of allowance for doubtful accounts):										
Taxes	928,222	771,159	0	0	0	0	0	0	0	1,699,381
Accounts	140,859	21,064	0	0	1,495,563	1,712	64	0	0	1,659,262
Special Assessments	0	0	106,109	1,028,302	0	0	0	0	0	1,134,411
Interest	0	1,270	0	25	6,186	1,143	0	0	0	8,624
Loans	0	1,142,840	0	0	0	0	0	0	0	1,142,840
Intergovernmental Receivables	421,939	649,768	0	5,000	457	0	0	0	0	1,077,164
Interfund Loans Receivable	0	0	0	0	2,123,239	0	0	0	0	2,123,239
Inventory of Supplies at Cost	0	61,210	0	0	860,265	0	0	0	0	921,475
Prepaid Items	28,046	12,868	0	0	238,602	0	0	0	0	279,516
Restricted Assets:										
Cash with Fiscal Agent	0	0	0	0	10,500	0	0	0	0	10,500
Investment in Joint Venture	0	0	0	0	1,099,871	0	0	0	0	1,099,871
Fixed Assets (net of accumulated depreciation)	0	0	0	0	24,468,074	0	0	16,876,396	0	41,344,470
Other Debits:										
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	12,294	12,294
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	0	5,170,538	5,170,538
Total Assets and Other Debits	\$2,833,665	\$8,317,362	\$118,403	\$1,858,201	\$36,030,698	\$1,054,049	\$43,611	\$16,876,396	\$5,182,832	\$72,315,217

(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
Liabilities, Equity and Other Credits:										
Liabilities:										
Accounts Payable	\$67,377	\$20,669	\$0	\$1,490	\$1,054,782	\$18,841	\$0	\$0	\$0	\$1,163,159
Accrued Wages and Benefits	174,213	22,998	0	0	135,783	0	0	0	0	332,994
Due to Others	0	0	0	0	0	0	34,252	0	0	34,252
Claims Payable	0	0	0	0	0	114,669	0	0	0	114,669
Intergovernmental Payables	600	0	0	0	0	0	0	0	0	600
Interfund Loans Payable	0	0	0	0	2,123,239	0	0	0	0	2,123,239
Matured Bonds and Interest Payable	0	0	0	0	10,500	0	0	0	0	10,500
Accrued Interest Payable	0	0	0	4,667	42,382	0	0	0	0	47,049
Deferred Revenue	1,038,969	588,831	106,109	1,028,302	0	0	0	0	0	2,762,211
Compensated Absences Payable	24,988	6,301	0	0	643,289	0	0	0	805,832	1,480,410
Notes Payable	0	0	0	0	7,450,000	0	0	0	4,200,000	11,650,000
General Obligation Bond Payable	0	0	0	0	0	0	0	0	100,000	100,000
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0	0	0	0	0	77,000	77,000
Total Liabilities	1,306,147	638,799	106,109	1,034,459	11,459,975	133,510	34,252	0	5,182,832	19,896,083
Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	16,876,396	0	16,876,396
Contributed Capital	0	0	0	0	5,914,925	0	0	0	0	5,914,925
Retained Earnings:										
Unreserved	0	0	0	0	18,655,798	920,539	0	0	0	19,576,337
Fund Balances:										
Reserved for Encumbrances	122,875	32,371	0	104,791	0	0	0	0	0	260,037
Reserved for Supplies Inventory	0	61,210	0	0	0	0	0	0	0	61,210
Reserved for Prepaid Items	28,046	12,868	0	0	0	0	0	0	0	40,914
Reserved for Loans Receivable	0	1,142,840	0	0	0	0	0	0	0	1,142,840
Reserved for Debt Service	0	0	12,294	0	0	0	0	0	0	12,294
Unreserved:										
Undesignated	1,376,597	6,429,274	0	718,951	0	0	9,359	0	0	8,534,181
Total Equity and Other Credits	1,527,518	7,678,563	12,294	823,742	24,570,723	920,539	9,359	16,876,396	0	52,419,134
Total Liabilities, Equity and Other Credits	\$2,833,665	\$8,317,362	\$118,403	\$1,858,201	\$36,030,698	\$1,054,049	\$43,611	\$16,876,396	\$5,182,832	\$72,315,217

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, 2002

	<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	
Revenues:						
Taxes	\$1,321,672	\$4,808,515	\$0	\$0	\$0	\$6,130,187
Intergovernmental Revenues	975,013	539,991	0	0	0	1,515,004
Charges for Services	177,425	0	0	0	0	177,425
Licenses and Permits	13,840	0	0	0	0	13,840
Investment Earnings	120,941	17,040	0	266	0	138,247
Special Assessments	0	0	51,214	111,096	0	162,310
Fines and Forfeitures	683,240	235,095	0	0	0	918,335
All Other Revenues	422,081	315,518	0	5,500	3,157	746,256
Total Revenues	3,714,212	5,916,159	51,214	116,862	3,157	9,801,604
Expenditures:						
Current:						
Security of Persons and Property	1,866,697	8,711	0	0	0	1,875,408
Public Health and Welfare	88,482	0	0	0	0	88,482
Leisure Time Activities	891,689	0	0	0	0	891,689
Community Environment	0	254,042	0	0	0	254,042
Transportation	0	946,238	0	0	0	946,238
General Government	2,107,852	377,972	0	0	1,657	2,487,481
Capital Outlay	0	0	0	1,210,083	0	1,210,083
Debt Service:						
Principal Retirements	0	0	146,000	4,500,000	0	4,646,000
Interest and Fiscal Charges	0	0	31,108	105,050	0	136,158
Total Expenditures	4,954,720	1,586,963	177,108	5,815,133	1,657	12,535,581
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,240,508)	4,329,196	(125,894)	(5,698,271)	1,500	(2,733,977)
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	4,200,000	0	4,200,000
Proceeds from Sale of Fixed Assets	413,310	0	0	0	0	413,310
Operating Transfers In	2,200,000	674,000	120,000	1,892,278	0	4,886,278
Operating Transfers Out	(1,190,922)	(4,669,045)	0	0	0	(5,859,967)
Total Other Financing Sources (Uses)	1,422,388	(3,995,045)	120,000	6,092,278	0	3,639,621
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	181,880	334,151	(5,894)	394,007	1,500	905,644
Fund Balance (Deficit) at Beginning of Year	1,345,638	7,353,851	18,188	429,735	7,859	9,155,271
Decrease in Inventory Reserve	0	(9,439)	0	0	0	(9,439)
Fund Balance (Deficit) at End of Year	<u>\$1,527,518</u>	<u>\$7,678,563</u>	<u>\$12,294</u>	<u>\$823,742</u>	<u>\$9,359</u>	<u>\$10,051,476</u>

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, 2002

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$1,376,251	\$1,303,234	(\$73,017)	\$4,420,313	\$4,781,507	\$361,194
Intergovernmental Revenues	803,225	1,015,551	212,326	862,607	513,657	(348,950)
Charges for Services	162,125	157,341	(4,784)	0	0	0
Licenses and Permits	16,145	11,750	(4,395)	0	0	0
Investment Earnings	300,000	120,941	(179,059)	40,300	17,579	(22,721)
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	589,350	634,631	45,281	194,300	232,556	38,256
All Other Revenues	251,725	419,157	167,432	277,531	336,552	59,021
Total Revenues	3,498,821	3,662,605	163,784	5,795,051	5,881,851	86,800
Expenditures:						
Current:						
Security of Persons and Property	2,072,439	1,931,283	141,156	43,090	10,041	33,049
Public Health and Welfare	102,113	88,434	13,679	0	0	0
Leisure Time Activities	1,022,205	904,400	117,805	0	0	0
Community Environment	0	0	0	903,000	271,879	631,121
Transportation	0	0	0	1,214,176	943,749	270,427
General Government	2,581,554	2,134,523	447,031	524,184	383,733	140,451
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	5,778,311	5,058,640	719,671	2,684,450	1,609,402	1,075,048
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,279,490)	(1,396,035)	883,455	3,110,601	4,272,449	1,161,848
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	413,300	413,310	10	0	0	0
Operating Transfers In	2,600,000	2,200,000	(400,000)	774,000	674,000	(100,000)
Operating Transfers Out	(1,268,300)	(1,190,922)	77,378	(5,400,500)	(4,669,045)	731,455
Total Other Financing Sources (Uses)	1,745,000	1,422,388	(322,612)	(4,626,500)	(3,995,045)	631,455
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(534,490)	26,353	560,843	(1,515,899)	277,404	1,793,303
Fund Balance at Beginning of Year	964,363	964,363	0	5,252,903	5,252,903	0
Prior Year Encumbrances	172,301	172,301	0	75,153	75,153	0
Fund Balance at End of Year	\$602,174	\$1,163,017	\$560,843	\$3,812,157	\$5,605,460	\$1,793,303

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, 2002

	<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
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	0	271	271
Special Assessments	53,500	51,214	(2,286)	100,000	111,096	11,096
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	0	33,000	33,000
Total Revenues	53,500	51,214	(2,286)	100,000	144,367	44,367
Expenditures:						
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	2,112,735	1,342,341	770,394
Debt Service:						
Principal Retirement	146,000	146,000	0	4,500,000	4,500,000	0
Interest and Fiscal Charges	31,108	31,108	0	108,500	107,208	1,292
Total Expenditures	177,108	177,108	0	6,721,235	5,949,549	771,686
Excess (Deficiency) of Revenues Over (Under) Expenditures	(123,608)	(125,894)	(2,286)	(6,621,235)	(5,805,182)	816,053
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	4,200,000	4,200,000	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Operating Transfers In	120,000	120,000	0	2,104,800	1,892,278	(212,522)
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	120,000	120,000	0	6,304,800	6,092,278	(212,522)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,608)	(5,894)	(2,286)	(316,435)	287,096	603,531
Fund Balance at Beginning of Year	18,188	18,188	0	243,863	243,863	0
Prior Year Encumbrances	0	0	0	188,358	188,358	0
Fund Balance at End of Year	\$14,580	\$12,294	(\$2,286)	\$115,786	\$719,317	\$603,531

(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, 2002

	<i>Expendable Trust Fund</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$5,796,564	\$6,084,741	\$288,177
Intergovernmental Revenues	0	0	0	1,665,832	1,529,208	(136,624)
Charges for Services	0	0	0	162,125	157,341	(4,784)
Licenses and Permits	0	0	0	16,145	11,750	(4,395)
Investment Earnings	0	0	0	340,300	138,791	(201,509)
Special Assessments	0	0	0	153,500	162,310	8,810
Fines and Forfeitures	0	0	0	783,650	867,187	83,537
All Other Revenues	500	3,093	2,593	529,756	791,802	262,046
Total Revenues	500	3,093	2,593	9,447,872	9,743,130	295,258
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	2,115,529	1,941,324	174,205
Public Health and Welfare	0	0	0	102,113	88,434	13,679
Leisure Time Activities	0	0	0	1,022,205	904,400	117,805
Community Environment	0	0	0	903,000	271,879	631,121
Transportation	0	0	0	1,214,176	943,749	270,427
General Government	2,500	1,657	843	3,108,238	2,519,913	588,325
Capital Outlay	0	0	0	2,112,735	1,342,341	770,394
Debt Service:						
Principal Retirement	0	0	0	4,646,000	4,646,000	0
Interest and Fiscal Charges	0	0	0	139,608	138,316	1,292
Total Expenditures	2,500	1,657	843	15,363,604	12,796,356	2,567,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	1,436	3,436	(5,915,732)	(3,053,226)	2,862,506
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	4,200,000	4,200,000	0
Proceeds from Sale of Fixed Assets	0	0	0	413,300	413,310	10
Operating Transfers In	0	0	0	5,598,800	4,886,278	(712,522)
Operating Transfers Out	0	0	0	(6,668,800)	(5,859,967)	808,833
Total Other Financing Sources (Uses)	0	0	0	3,543,300	3,639,621	96,321
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,000)	1,436	3,436	(2,372,432)	586,395	2,958,827
Fund Balance at Beginning of Year	7,859	7,859	0	6,487,176	6,487,176	0
Prior Year Encumbrances	0	0	0	435,812	435,812	0
Fund Balance at End of Year	\$5,859	\$9,295	\$3,436	\$4,550,556	\$7,509,383	\$2,958,827

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, 2002

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Charges for Services	\$17,406,477	\$1,202,250	\$18,608,727
Other Operating Revenues	222,670	0	222,670
Total Operating Revenues	<u>17,629,147</u>	<u>1,202,250</u>	<u>18,831,397</u>
<u>Operating Expenses:</u>			
Personal Services	3,963,803	0	3,963,803
Health Insurance Claims	0	1,080,838	1,080,838
Materials and Supplies	998,825	0	998,825
Contractual Services	11,223,345	0	11,223,345
Depreciation	1,985,272	0	1,985,272
Other Operating Expenses	107,083	0	107,083
Total Operating Expenses	<u>18,278,328</u>	<u>1,080,838</u>	<u>19,359,166</u>
Operating Income (Loss)	(649,181)	121,412	(527,769)
<u>Nonoperating Revenues (Expenses):</u>			
Loss on Disposal of Fixed Assets	(357)	0	(357)
Investment Earnings	91,367	16,795	108,162
Interest and Fiscal Charges	(209,058)	0	(209,058)
Income from Joint Venture	237,714	0	237,714
Other Nonoperating Revenue	210,257	0	210,257
Total Nonoperating Revenues (Expenses)	<u>329,923</u>	<u>16,795</u>	<u>346,718</u>
Income (Loss) Before Operating Transfers	(319,258)	138,207	(181,051)
<u>Operating Transfers:</u>			
Operating Transfers In	977,622	0	977,622
Operating Transfers Out	(3,933)	0	(3,933)
Total Operating Transfers	<u>973,689</u>	<u>0</u>	<u>973,689</u>
Net Income	654,431	138,207	792,638
Restated Retained Earnings at Beginning of Year	17,526,957	782,332	18,309,289
Add: Depreciation on Contributed Capital	474,410	0	474,410
Retained Earnings at End of Year	<u>\$18,655,798</u>	<u>\$920,539</u>	<u>\$19,576,337</u>

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

THE CITY OF BRYAN, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$17,579,844	\$1,200,798	\$18,780,642
Cash Payments for Goods and Services	(11,903,743)	(1,102,847)	(13,006,590)
Cash Payments to Employees	(3,859,210)	0	(3,859,210)
Net Cash Provided by Operating Activities	<u>1,816,891</u>	<u>97,951</u>	<u>1,914,842</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	977,622	0	977,622
Other Nonoperating Revenue	230,008	0	230,008
Transfers Out to Other Funds	(3,933)	0	(3,933)
Net Cash Provided by Noncapital Financing Activities	<u>1,203,697</u>	<u>0</u>	<u>1,203,697</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(2,194,146)	0	(2,194,146)
Proceeds from Sale of General Obligation Notes	7,450,000	0	7,450,000
Proceeds from Sale of Fixed Assets	984	0	984
Capital Contribution from Joint Venture	150,931	0	150,931
Principal Retirement on General Obligation Notes	(7,450,000)	0	(7,450,000)
Interest and Fiscal Charges	(243,349)	0	(243,349)
Net Cash Used for Capital and Related Financing Activities	<u>(2,285,580)</u>	<u>0</u>	<u>(2,285,580)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	100,781	17,475	118,256
Net Cash Provided by Investing Activities	<u>100,781</u>	<u>17,475</u>	<u>118,256</u>
Net Increase in Cash and Cash Equivalents	835,789	115,426	951,215
Restated Cash and Cash Equivalents at Beginning of Year	4,902,652	935,768	5,838,420
Cash and Cash Equivalents at End of Year	<u>\$5,738,441</u>	<u>\$1,051,194</u>	<u>\$6,789,635</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$5,727,941	\$1,051,194	\$6,779,135
Cash with Fiscal Agent	10,500	0	10,500
Cash and Cash Equivalents at End of Year	<u>\$5,738,441</u>	<u>\$1,051,194</u>	<u>\$6,789,635</u>

(Continued)

THE CITY OF BRYAN, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	(\$649,181)	\$121,412	(\$527,769)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	1,985,272	0	1,985,272
Changes to Assets and Liabilities:			
Increase in Accounts Receivable	(49,594)	(1,452)	(51,046)
Decrease in Inventory	303,176	0	303,176
Decrease in Intergovernmental Receivables	291	0	291
Increase in Prepaid Items	(31,333)	0	(31,333)
Increase (Decrease) in Accounts Payable	165,206	(29,346)	135,860
Increase in Accrued Wages and Benefits Payable	59,422	0	59,422
Increase in Claims Payable	0	7,337	7,337
Decrease in Intergovernmental Payable	(11,539)	0	(11,539)
Increase in Compensated Absences Payable	45,171	0	45,171
Total Adjustments	2,466,072	(23,461)	2,442,611
Net Cash Provided by Operating Activities	<u>\$1,816,891</u>	<u>\$97,951</u>	<u>\$1,914,842</u>

At December 31, 2002, the Water, Sewer and Electric Funds had outstanding liabilities of \$13,908, \$5,001 and \$99,763 respectively for the purchase of capital assets. The City received capital contributions of \$150,931 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, 2002

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, 2002 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, electric distribution and cable internet system 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 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 Organizations:

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.

American Municipal Power – Ohio, Inc (AMP-Ohio) – AMP-Ohio is an Ohio not for profit corporation organized to provide electric capacity and energy and to furnish other services to its members. AMP-Ohio is a membership organization comprised of 80 municipalities throughout Ohio, two municipalities in West Virginia, three municipalities in Pennsylvania and one municipality in Michigan that own and operate electric systems. AMP-Ohio purchases and generates electric capacity and energy for sale to its members.

The City's participation in these joint ventures and the jointly governed organizations 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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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).

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, communication, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

Property taxes measurable as of December 31, 2002 but which are not intended to finance 2002 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 2002.

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. Appropriations may be moved from one line-item account to another within the same fund 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)	\$181,880	\$334,151	(\$5,894)	\$394,007	\$1,500
Increase (Decrease):					
Accrued Revenues at December 31, 2002 received during 2003	(452,051)	(657,949)	0	(5,025)	(64)
Accrued Revenues at December 31, 2001 received during 2002	400,444	623,641	0	32,530	0
Accrued Expenditures at December 31, 2002 paid during 2003	267,178	49,968	0	6,157	0
Accrued Expenditures at December 31, 2001 paid during 2002	(223,130)	(23,557)	0	(35,016)	0
2001 Prepays for 2002	31,660	15,741	0	0	0
2002 Prepays for 2003	(28,046)	(12,868)	0	0	0
Outstanding Encumbrances	(151,582)	(51,723)	0	(105,557)	0
Budget Basis	<u>\$26,353</u>	<u>\$277,404</u>	<u>(\$5,894)</u>	<u>\$287,096</u>	<u>\$1,436</u>

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), 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 certificates of deposit 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 2002. 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, 2002.

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
Capital Projects Fund Bond	
Anticipation Notes Payable	Municipal Building Construction Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Mortgage Revenue Bond	Water 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 electric, water, sewer, refuse and communications 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 2002.

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 - RESTATEMENT OF RETAINED EARNINGS

A correction of errors in accounting for machinery and equipment in the amount of fixed assets reported in the enterprise funds required a restatement to the beginning retained earnings in the enterprise funds as of January 1, 2002. The effect of this change on retained earnings and net income is as follows:

	Reported as of and the Year Ending 12/31/2001	Adjustment Decrease	As Restated 1/1/2002
Retained Earnings	\$17,653,656	(\$126,699)	\$17,526,957
Net Income	1,677,097	(126,699)	1,550,398

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficit of \$4,195 in the Municipal Building Construction Fund (capital projects fund) is the result of recording notes payable amounts in the individual fund balance sheet. The retained earnings deficit of \$3,072 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. Contrary to the requirements of Ohio Revised Code Section 5705.10, the City did not comply with the following:

- Several expenditures relating to cable television and internet operations were recorded in the Electric Fund instead of the Communications Operating Fund (\$95,854).
- Fiber optic cable, which is owned by the Communications Operating Fund, was expended out of the Electric Fund (\$149,477).
- Communication assets (Waveports) owned by the Electric Fund were purchased from the Communications Operating Fund (\$662,239).

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 \$3,316,756 and the bank balance was \$3,758,342. Federal depository insurance covered \$300,000 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, 2002 are summarized below:

	<u>Fair Value</u>
<u>Non-Categorized Investments</u>	
STAR Ohio	\$11,322,106

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:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$14,642,132	\$0
Less: Petty Cash	(3,270)	
Investments:		
STAR Ohio	<u>(11,322,106)</u>	<u>11,322,106</u>
Per GASB Statement No. 3	<u>\$3,316,756</u>	<u>\$11,322,106</u>

* 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 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, 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, 2002 was \$2.80 per \$1,000 of assessed value. The assessed value upon which the 2002 levy was based was \$194,382,270. This amount constitutes \$140,074,120 in real property assessed value, \$1,978,450 in public utility assessed value and \$52,329,700 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 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$2,200,000	\$1,190,922
Special Revenue Funds:		
Income Tax 1% Fund	0	2,877,045
Income Tax 1/2% Fund	0	1,612,000
Street Construction, Maintenance and Repair Fund	674,000	0
Court Special Projects Fund	<u>0</u>	<u>180,000</u>
Total Special Revenue Funds	674,000	4,669,045
Debt Service Fund:		
Southeast Sewer Bond Retirement Fund	120,000	0
Capital Projects Funds:		
Capital Improvements Fund	1,478,300	0
Generator Maintenance Fund	3,933	0
Municipal Building Construction Fund	407,045	0
Ditch 40 Project	<u>3,000</u>	<u>0</u>
Total Capital Projects Funds	1,892,278	0
Enterprise Funds:		
Sewer Fund	200,000	0
Electric Fund	<u>777,622</u>	<u>3,933</u>
Total Enterprise Funds	977,622	3,933
Totals	<u><u>\$5,863,900</u></u>	<u><u>\$5,863,900</u></u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2002 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

Fund	Interfund Loans Receivable	Interfund Loans Payable
Enterprise Funds:		
Electric Fund	\$2,123,239	\$0
Communications Operations Fund	0	2,123,239
Total	\$2,123,239	\$2,123,239

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by Category of changes in general fixed assets:

Category	December 31, 2001	Additions	Deletions	December 31, 2002
Land	\$2,259,835	\$0	(\$109,374)	\$2,150,461
Buildings and Improvements	8,807,243	0	(50,814)	8,756,429
Machinery and Equipment	5,553,821	497,549	(81,864)	5,969,506
Totals	\$16,620,899	\$497,549	(\$242,052)	\$16,876,396

B. Proprietary Fixed Assets

Summary by Category at December 31, 2002:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$898,304	\$0	\$898,304
Buildings and Improvements	9,154,372	(3,835,818)	5,318,554
Infrastructure	14,984,674	(6,797,106)	8,187,568
Machinery and Equipment	39,886,566	(30,162,216)	9,724,350
Construction in Progress	339,298	0	339,298
Property, Plant and Equipment	\$65,263,214	(\$40,795,140)	\$24,468,074

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. Ohio Public Employees Retirement System (the "Ohio PERS")

The following information was provided by the Ohio PERS 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 Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS 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 Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 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 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% 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 Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were \$649,456, \$630,766 and \$472,857, respectively, which were equal to the required contributions for each year.

The Ohio PERS 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 Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS 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 Ohio PERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$239,652.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2001. 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 2001 was 8.0%. An annual increase of 4.0% 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 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, 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.

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, 2002, 2001 and 2000 were \$149,431, \$148,321 and \$142,683 for police and \$44,319, \$42,227 and \$42,186 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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 2002 covered payroll that was used to fund postemployment health care benefits was \$59,389 representing 7.75% of covered payroll for police and \$14,311 representing 7.75% 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, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 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, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

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 \$726,756 to a year end balance of \$805,832.

At December 31, 2002, 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	39,743	\$704,093
Vacation	5,697	77,532
Compensatory Time	1,518	24,207
Total	<u>46,958</u>	<u>\$805,832</u>

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2002 were as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
Enterprise Funds:					
Electric Fund Long Term Notes Payable:					
2.85%	Cable Facilities and Improvements	2001	\$7,450,000	(\$7,450,000)	\$0
1.60%	Cable Facilities and Improvements	2002	0	7,450,000	7,450,000
Total Electric Fund Long Term Notes Payable			<u>7,450,000</u>	<u>0</u>	<u>7,450,000</u>
Total Enterprise Long-Term Debt			<u>\$7,450,000</u>	<u>\$0</u>	<u>\$7,450,000</u>
General Long-Term Debt:					
Capital Projects Fund Bond Anticipation Notes Payable					
2.10%	Municipal Building Construction		\$4,500,000	(\$4,500,000)	\$0
1.60%	Municipal Building Construction		0	4,200,000	4,200,000
Total Capital Projects Fund Bond Anticipation Notes Payable			<u>4,500,000</u>	<u>(300,000)</u>	<u>4,200,000</u>
General Obligation Bond:					
10.00%	Southeast Sewer Improvement	2003	200,000	(100,000)	100,000
Special Assessment Bonds					
with Governmental Commitment:					
12.25%	Perry Street		35,000	(35,000)	0
7.75%	Street Lighting and East End Sewer		88,000	(11,000)	77,000
Total Special Assessment Debt with Governmental Commitment			<u>123,000</u>	<u>(46,000)</u>	<u>77,000</u>
Other Long-Term Obligations:					
Compensated Absences			<u>726,756</u>	<u>79,076</u>	<u>805,832</u>
Total Other Long-Term Obligations			<u>726,756</u>	<u>79,076</u>	<u>805,832</u>
Total General Long-Term Debt and Other Long-Term Obligations			<u>\$5,549,756</u>	<u>(\$366,924)</u>	<u>\$5,182,832</u>

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The principal amount of the City's special assessment debt outstanding at December 31, 2002, \$77,000, 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 \$12,294 in the Special Assessment Bond Retirement Fund at December 31, 2002 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.

The City issued bond anticipation notes on December 5th, 2002 in the amount of \$4,200,000 to retire notes previously issued for the construction of a municipal building. The notes were issued under the authority of Ohio Revised Code 133.18. The notes have an interest rate of 1.6 percent and mature on December 4th, 2003. These notes are considered long-term debt of the City.

NOTE 12 - 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 \$194,545,000 or approximately \$4,260,536 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
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	3,934,992
Totals	<u>\$194,545,000</u>	<u>\$4,260,536</u>

B. Long-Term Funding Requirements

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002 were as follows:

Years	General Obligation Bond		Special Assessment Bonds		General Obligation Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$100,000	\$10,000	\$11,000	\$5,968	\$4,200,000	\$67,200
2004	0	0	11,000	5,115	0	0
2005	0	0	11,000	4,263	0	0
2006	0	0	11,000	3,410	0	0
2007-2009	0	0	33,000	5,115	0	0
Totals	<u>\$100,000</u>	<u>\$10,000</u>	<u>\$77,000</u>	<u>\$23,871</u>	<u>\$4,200,000</u>	<u>\$67,200</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 13 - 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, Medical Mutual 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 \$114,669 reported in the fund at December 31, 2002 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 2001 and 2002 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2001	\$57,789	\$1,055,376	(\$1,005,833)	\$107,332
2002	107,332	1,110,184	(1,102,847)	114,669

NOTE 14 - CONTRIBUTED CAPITAL

During 2002 there were changes to contributed capital. The contributed capital balances as of December 31, 2002 are presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Balance Beginning of Year	\$127,244	\$6,262,091	\$6,389,335
Less: Depreciation on Contributed Capital	<u>(13,118)</u>	<u>(461,292)</u>	<u>(474,410)</u>
Balance at End of Year	<u>\$114,126</u>	<u>\$5,800,799</u>	<u>\$5,914,925</u>

NOTE 15 - 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, cable and internet services. The key financial information for the year ended December 31, 2002 for these enterprise activities is indicated below:

	Refuse			Communication		Total
	Collection	Water	Sewer	Electric	Operations	
Operating Revenues	\$627,536	\$1,366,083	\$676,545	\$13,558,569	\$1,400,414	\$17,629,147
Depreciation	18,576	197,159	478,770	901,521	389,246	1,985,272
Operating Income (Loss)	(7,715)	(44,462)	(705,275)	416,711	(308,440)	(649,181)
Operating Transfers In	0	0	200,000	777,622	0	977,622
Operating Transfers Out	0	0	0	(3,933)	0	(3,933)
Net Income (Loss)	3,226	(30,409)	(496,510)	1,399,264	(221,140)	654,431
Property, Plant and Equipment:						
Additions	0	217,720	41,956	3,075,546	127,361	3,462,583
Deletions	0	0	(11,875)	(1,418,592)	0	(1,430,467)
Assets	623,946	4,257,269	9,248,196	19,702,220	2,199,067	36,030,698
Net Working Capital	368,328	703,846	390,560	(51,964)	(1,879,131)	(468,361)
Notes Payable	0	0	0	7,450,000	0	7,450,000
Total Equity	555,868	4,098,262	9,045,893	10,873,772	(3,072)	24,570,723

NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**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 \$942,206 at December 31, 2002. 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 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (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 \$388,031 to the joint venture for 2002. 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 \$157,665 at December 31, 2002. Complete financial statements for Omega JV-5 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio, 43081, 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 \$6,641 to the Task Force in 2002. 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 Organizations

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 2002, the City paid administrative fees of \$14,400 to MVPO.

NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Jointly Governed Organizations (Continued)

The City is a member of AMP – Ohio which is a jointly governed organization between 80 municipalities throughout Ohio, two municipalities in West Virginia, three municipalities in Pennsylvania and one municipality in Michigan. The purpose of AMP – Ohio is to provide electric capacity and energy and to furnish other services to its members.

AMP – Ohio is governed by a Board of Trustees consisting of sixteen members. Each member designates its own representative to the Board of Trustees. Eight of the trustee members are selected by their fellow AMP – Ohio members in each of the service groups. The other eight Board members are elected at large. The main source of revenue is from the sale of electric power. In 2002, the City paid \$7,818,114 to AMP – Ohio.

NOTE 17 - 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.

THE CITY OF BRYAN, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance December 31, 2001	Additions	Deductions	Balance December 31, 2002
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$21,839	\$2,672,379	(\$2,659,966)	\$34,252
Total Assets	<u>\$21,839</u>	<u>\$2,672,379</u>	<u>(\$2,659,966)</u>	<u>\$34,252</u>
Liabilities:				
Due to Other Funds	\$15,563	\$0	(\$15,563)	\$0
Due to Others	6,276	2,672,379	(2,644,403)	34,252
Total Liabilities	<u>\$21,839</u>	<u>\$2,672,379</u>	<u>(\$2,659,966)</u>	<u>\$34,252</u>

**CITY OF BRYAN
WILLIAMS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant (CHIP)	A-C-01-098-01	14.228	\$15,200
Home Investment Partnership	A-C-01-098-02	14.239	165,828
<i>Passed Through Williams County:</i>			
Community Development Block Grant (Formula)	B-F-01-079-01	14.228	<u>34,900</u>
Total U.S. Department of Housing and Urban Development			<u>215,928</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction Cluster: Highway Planning and Construction	02N016	20.205	<u>367,976</u>
Total U.S. Department of Transportation			<u>367,976</u>
Total			<u><u>\$583,904</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF BRYAN
WILLIAMS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2002**

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. 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, 2002, the gross amount of loans outstanding under this program was \$1,142,840.

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
103 N. Beech Street
Bryan, Ohio 43506-1235

To the City Council and Board of Public Affairs:

We have audited the financial statements of the City of Bryan, Williams County, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated October 2, 2003, which was qualified for an insufficiency of evidence supporting the valuation of infrastructure fixed assets in the Enterprise funds. Except as described 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 2002 – 001 and 2002 – 002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City in a letter dated October 2, 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 2002-003 through 2002-005.

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 are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002 – 003 and 2002 – 005 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 October 2, 2003.

This report is intended for the information and use of the audit committee, City Council, 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.

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

Betty Montgomery
Auditor of State

October 2, 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
103 N. Beech Street
Bryan, Ohio 43506-1235

To the Members of City Council and the Board of Public Affairs:

Compliance

We have audited the compliance of the City of Bryan, Williams County, (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, 2002. 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; 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, 2002. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the City in a separate letter dated October 2, 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, 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

October 2, 2003

**CITY OF BRYAN
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Grant Program – CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established.

**FINDING NUMBER 2002-001
 (Continued)**

As indicated below, several expenditures relating to cable television and internet operations were recorded in the Electric fund.

Line Item	2002
Capital Outlay	\$37,140
Cable Modem Installations	9,574
Advertising	16,980
Insurance	7,941
Payroll and related amounts	24,219
Totals	\$95,854

These expenditures are not consistent with the purpose of the Electric fund and should have been recorded in the Communications Operating fund.

The City also entered into several lease agreements with other organizations to use the City’s fiber optic cable. The City’s fiber optic cable is owned by its Communications Operating fund. Expenditures to construct the fiber optic cable were made from the Electric fund (\$149,477) instead of the Communications Operating fund.

Audit adjustments were made to the City’s financial records for the differences.

These inconsistencies make it difficult to determine if user charges in the Communications Operating fund are adequate to recover costs and are, in effect, a subsidy of Communications Operating fund operations by the Electric fund.

In addition, \$662,237 in expenditures for waveports, which are communication assets owned by the Electric fund were recorded in the Communications Operating fund. These amounts were adjusted against the outstanding balance of the Communications Operating fund’s inter fund loan from the Electric fund (\$662,237.)

We recommend that municipal utility management monitor cable television and internet operations closely to ensure that all related revenues and expenditures are recorded into the proper fund.

FINDING NUMBER 2002-002

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. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2002-002
(Continued)

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 (\$3,000 in 2003) or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000 (\$3,000 in 2003), the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

The Clerk-Treasurer did not make the proper certification of funds for 30 percent of the transactions tested during the audit period. We recommend prior certification of all expenditures, but when prior certification is not possible “then and now” certificates should be utilized.

FINDING NUMBER 2002-003

Material Weakness – Fixed Assets

The City could not provide a master list of Proprietary funds’ infrastructure fixed assets at December 31, 2002 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 2002-004

Reportable Condition – Cable and Internet Wave Port Security and Billing Administration

There is a lack of security and unrestricted access to the City’s wave port software application, which controls approximately 2,150 customer cable accounts and 875 customer internet accounts. The wave port is not protected with any type of application user sign on and password. Communications Department employees with access to the wave port system can change a customer account at any given time, which creates the potential for cable theft and fraud.

FINDING NUMBER 2002-004
(Continued)

This lack of security increases the possibility of unauthorized users obtaining access to cable and internet customer accounts and modifying account activity without the knowledge of appropriate City personnel. This also increases the likelihood of customers receiving services for which they are not being billed.

During testing we found three customer cable accounts that were receiving services for which they are not being billed. In two of these cases, the customers were receiving premium programming without evidence they authorized it. In the other instance, the customer has been receiving premium programming which had been requested to be turned off in 2002; however, the customer's account per the wave port indicated the customer has still been receiving the premium programming package. This later example has possibly resulted in the City not collecting \$120 due to them. In addition, we found one customer internet account which has access to internet service although the customer is not billed for internet service. According to the City's records, it can not be ascertained whether or not this access to the internet is being utilized by the customer. Based on these errors, it is possible that approximately 50 customer cable accounts and 10 customer internet accounts have similar discrepancies as these noted instances. These billing differences could have also potentially resulted from the lack of security as mentioned above.

Sound computer security policies require adequate security and control over the Communication Department's wave port computer system and the data contained within this system. Since passwords provide the first line of defense into a computer system or application, the Communication Department should require the utilization of a user sign on and password for the wave port application. Passwords should be changed periodically (e.g. quarterly) and should be at least six characters in length. Accounts should be locked out after 3 to 5 unsuccessful logon attempts and a time-out parameter should be set to log off users after 20 or 30 minutes of inactivity. Audit trail procedures and supervision review of such audit trail should be implemented to review for potential security violations. In addition, there should also be a periodic review of billing records to the services being provided according to the wave port to make sure that customers are being correctly billed for services for which they are receiving.

FINDING NUMBER 2002-005

Material Weakness – Expenditure Account Coding

Expenditures originating through the Municipal Utilities are not recorded in a consistent manner. Expenditures were recorded in fund accounts which were not related to the primary activity of the fund (i.e. communication expenditures were charged to the Electric fund.) Line –item account codes within the funds have been established for certain types of expenditures (i.e. professional services, equipment maintenance, facilities maintenance, insurance, advertising, supplies & materials and capital outlay.) Expenditures for supply type items (i.e., tissues, towels, gasoline, stone) were also charged to a capital outlay expenditure line – item account. Certain equipment expenditures were charged to supplies & material line – item accounts.

FINDING NUMBER 2002-005
(Continued)

The account posting is determined on a purchase order completed by the requesting department. These purchase orders are then reviewed and approved by the Director or the assistant director of the Municipal Utilities as part of the control process at the Municipal Utilities. A failure in the control process at the Municipal Utilities is likely the reason for these inconsistencies. As a result, maintenance of the City's fixed asset records is hindered and expenditure reports used by the management of the City and Municipal Utilities are distorted.

We recommend that the Director or the assistant director of the Municipal Utilities as part of the control process review purchase orders and consider whether the fund accounts and the line – item account codes being charged correspond with the purpose of the fund and line – item account.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF BRYAN
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-20186-001	ORC § 5705.41(D) Improper certification of expenditures	No	Not corrected. Reissued as finding 2002-002.
2001-20186-002	Omega Joint Venture 5 Agreement Insufficient fees were collected	Yes	
2001-20186-003	Material Weaknesses - Fixed Assets	No	Not corrected. Reissued as finding 2002-003.
2001-20186-004	Material Weaknesses - Classification of Enterprise Fixed Assets	No	Partially corrected. Reissued as finding 2002-005.



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 6, 2003**