



Dave Yost • Auditor of State

**CITY OF BRYAN
WILLIAMS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Bryan
Williams County
1399 East High Street, P.O. Box 190
Bryan, Ohio 43506-0190

To the Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bryan, Williams County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bryan, Williams County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund 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 August 28, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information 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 basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 28, 2012

CITY OF BRYAN, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011*

Unaudited

This discussion and analysis of the City of Bryan's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets increased \$3,123,980. Net assets of governmental activities increased \$1,010,871, which represents a 3% change from 2010. Net assets of business-type activities increased \$2,113,109 or 4% from 2010.
- ❑ General revenues accounted for \$8,846,754 in revenue or 23% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$29,504,032, or 77% of total revenues of \$38,350,786.
- ❑ The City had \$9,347,700 in expenses related to governmental activities; only \$2,007,116 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$8,838,483 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$8,436,857 in revenues and other financing sources and \$8,915,182 in expenditures and other financing uses. The general fund's fund balance decreased from a balance of \$7,613,008 to \$7,134,683.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF BRYAN, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, refuse collection, electric operating, and communication operations services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The governmental fund financial statements provide separate information for the General, Police and Fire Building Construction, Municipal Building Construction Debt Service and Capital Improvement funds, all of which are considered major funds. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water, Sewer, Refuse Collection, Electric Operating, and Communications Operations funds, all of which are considered major funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2011 compared to 2010.

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$24,197,002 | \$19,670,518 | \$15,903,023 | \$16,735,904 | \$40,100,025 | \$36,406,422 |
| Capital assets, Net | 23,022,771 | 21,963,485 | 39,674,190 | 39,850,185 | 62,696,961 | 61,813,670 |
| Total assets | 47,219,773 | 41,634,003 | 55,577,213 | 56,586,089 | 102,796,986 | 98,220,092 |
| Long-term debt outstanding | 7,147,770 | 2,803,456 | 1,356,867 | 4,268,781 | 8,504,637 | 7,072,237 |
| Other liabilities | 1,269,330 | 1,038,745 | 2,205,047 | 2,415,118 | 3,474,377 | 3,453,863 |
| Total liabilities | 8,417,100 | 3,842,201 | 3,561,914 | 6,683,899 | 11,979,014 | 10,526,100 |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 20,922,119 | 20,163,485 | 39,304,039 | 36,558,608 | 60,226,158 | 56,722,093 |
| Restricted | 10,637,546 | 9,637,372 | 0 | 0 | 10,637,546 | 9,637,372 |
| Unrestricted | 7,243,008 | 7,990,945 | 12,711,260 | 13,343,582 | 19,954,268 | 21,334,527 |
| Total net assets | <u>\$38,802,673</u> | <u>\$37,791,802</u> | <u>\$52,015,299</u> | <u>\$49,902,190</u> | <u>\$90,817,972</u> | <u>\$87,693,992</u> |

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CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 compared to 2010:

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for Services and Sales | \$995,983 | \$990,387 | \$27,496,916 | \$27,167,991 | \$28,492,899 | \$28,158,378 |
| Operating Grants and Contributions | 850,041 | 828,856 | 0 | 0 | 850,041 | 828,856 |
| Capital Grants and Contributions | 161,092 | 1,399,847 | 0 | 0 | 161,092 | 1,399,847 |
| Total Program revenues: | 2,007,116 | 3,219,090 | 27,496,916 | 27,167,991 | 29,504,032 | 30,387,081 |
| General revenues: | | | | | | |
| Property Taxes | 435,217 | 542,874 | 0 | 0 | 435,217 | 542,874 |
| Income Taxes | 6,383,087 | 6,382,019 | 0 | 0 | 6,383,087 | 6,382,019 |
| Other Local Taxes | 785,763 | 793,624 | 0 | 0 | 785,763 | 793,624 |
| Intergovernmental Revenues, Unrestricted | 671,663 | 679,238 | 0 | 0 | 671,663 | 679,238 |
| Investment Earnings | 13,331 | 22,086 | 8,271 | 14,560 | 21,602 | 36,646 |
| Unrestricted Contributions | 21,818 | 34,930 | 0 | 0 | 21,818 | 34,930 |
| Miscellaneous | 527,604 | 765,865 | 0 | 0 | 527,604 | 765,865 |
| Total General revenues: | 8,838,483 | 9,220,636 | 8,271 | 14,560 | 8,846,754 | 9,235,196 |
| Total Revenues | 10,845,599 | 12,439,726 | 27,505,187 | 27,182,551 | 38,350,786 | 39,622,277 |
| Program Expenses | | | | | | |
| Security of Persons and Property | 2,717,869 | 3,045,163 | 0 | 0 | 2,717,869 | 3,045,163 |
| Leisure Time Activities | 1,157,264 | 1,136,802 | 0 | 0 | 1,157,264 | 1,136,802 |
| Community Environment | 444,968 | 305,114 | 0 | 0 | 444,968 | 305,114 |
| Public Health and Welfare | 79,475 | 100,158 | 0 | 0 | 79,475 | 100,158 |
| Transportation | 1,183,386 | 1,283,518 | 0 | 0 | 1,183,386 | 1,283,518 |
| General Government | 3,601,584 | 3,201,223 | 0 | 0 | 3,601,584 | 3,201,223 |
| Interest and Fiscal Charges | 163,154 | 31,609 | 0 | 0 | 163,154 | 31,609 |
| Water | 0 | 0 | 1,588,914 | 1,458,789 | 1,588,914 | 1,458,789 |
| Sewer | 0 | 0 | 1,236,298 | 1,319,404 | 1,236,298 | 1,319,404 |
| Refuse Collection | 0 | 0 | 916,979 | 925,861 | 916,979 | 925,861 |
| Electric Operating | 0 | 0 | 20,006,291 | 19,504,912 | 20,006,291 | 19,504,912 |
| Communication Operations | 0 | 0 | 2,130,624 | 3,535,725 | 2,130,624 | 3,535,725 |
| Total Expenses | 9,347,700 | 9,103,587 | 25,879,106 | 26,744,691 | 35,226,806 | 35,848,278 |
| Change in Net Assets before transfers | 1,497,899 | 3,336,139 | 1,626,081 | 437,860 | 3,123,980 | 3,773,999 |
| Transfers | (487,028) | (803,492) | 487,028 | 803,492 | 0 | 0 |
| Total Change in Net Assets | 1,010,871 | 2,532,647 | 2,113,109 | 1,241,352 | 3,123,980 | 3,773,999 |
| Beginning Net Assets | 37,791,802 | 35,259,155 | 49,902,190 | 48,660,838 | 87,693,992 | 83,919,993 |
| Ending Net Assets | \$38,802,673 | \$37,791,802 | \$52,015,299 | \$49,902,190 | \$90,817,972 | \$87,693,992 |

CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

Unaudited

Governmental Activities

Net assets of the City's governmental activities increased \$1,010,871. This represents a 3% change from 2010.

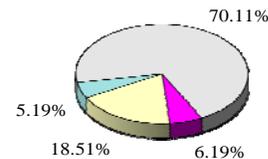
American Recovery and Reinvestment Act capital grants for street lighting efficiency upgrades as well as an Ohio Department of Transportation capital grant for downtown streetscape improvements received in the prior year resulted in the subsequent decrease in capital grants and contributions in 2011. All other revenue categories remained consistent with the previous year.

Overall, expenses remained consistent with the previous year, increasing approximately 3%.

The City receives an income tax, which is based on 1.8% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City.

Income taxes and property taxes made up 59% and 4% respectively of revenues for governmental activities for the City in 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating 70% of total revenues from general tax revenues:

| Revenue Sources | 2011 | Percent of Total |
|---------------------------------|--------------|---------------------|
| General Tax Revenues | \$7,604,067 | 70.11% |
| Intergovernmental, Unrestricted | 671,663 | 6.19% |
| Program Revenues | 2,007,116 | 18.51% |
| General Other | 562,753 | 5.19% |
| Total Revenue | \$10,845,599 | 100.00% |



Business-Type Activities

Net assets of the business-type activities increased \$2,113,109. Revenues remained consistent with the previous year. In 2010 the communications operations department reported the disposal of obsolete cable television system equipment, resulting in a substantial increase in expenses in the prior year, and a subsequent decrease in 2011.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$21,620,363, which is an increase from last year's balance of \$16,570,225. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and 2010:

| | Fund Balance December 31, 2011 | Fund Balance December 31, 2010 | Increase (Decrease) |
|--|-----------------------------------|-----------------------------------|------------------------|
| General | \$7,134,683 | \$7,613,008 | (\$478,325) |
| Police and Fire Building Construction | 6,745,413 | 1,880,177 | 4,865,236 |
| Municipal Building Construction Debt Service | 99,693 | 86,151 | 13,542 |
| Capital Improvement | 1,628,340 | 1,250,035 | 378,305 |
| Other Governmental | 6,012,234 | 5,740,854 | 271,380 |
| Total | \$21,620,363 | \$16,570,225 | \$5,050,138 |

CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

Unaudited

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

| | 2011 <u>Revenues</u> | 2010 <u>Revenues</u> | Increase <u>(Decrease)</u> |
|----------------------------|----------------------------------|----------------------------------|-------------------------------|
| Taxes | \$6,540,412 | \$6,619,112 | (\$78,700) |
| Intergovernmental Revenues | 717,089 | 701,717 | 15,372 |
| Charges for Services | 162,563 | 118,087 | 44,476 |
| Licenses and Permits | 11,655 | 5,735 | 5,920 |
| Investment Earnings | 9,647 | 14,879 | (5,232) |
| Fines and Forfeitures | 529,340 | 537,634 | (8,294) |
| All Other Revenue | 464,101 | 376,038 | 88,063 |
| Total | <u><u>\$8,434,807</u></u> | <u><u>\$8,373,202</u></u> | <u><u>\$61,605</u></u> |

General Fund revenues in 2011 were consistent with the prior year, increasing approximately 1% compared to revenues in fiscal year 2010.

| | 2011 <u>Expenditures</u> | 2010 <u>Expenditures</u> | Increase <u>(Decrease)</u> |
|----------------------------------|----------------------------------|----------------------------------|-------------------------------|
| Security of Persons and Property | \$1,661,923 | \$1,641,317 | \$20,606 |
| Public Health and Welfare | 77,150 | 97,259 | (20,109) |
| Leisure Time Activities | 954,065 | 935,310 | 18,755 |
| General Government | 2,871,927 | 2,797,508 | 74,419 |
| Total | <u><u>\$5,565,065</u></u> | <u><u>\$5,471,394</u></u> | <u><u>\$93,671</u></u> |

General Fund expenditures increased \$93,671 or 2% from the prior year.

| | 2011 <u>Other Financing Sources (Uses)</u> | 2010 <u>Other Financing Sources (Uses)</u> | Increase <u>(Decrease)</u> |
|------------------------|---|---|------------------------------------|
| Sale of Capital Assets | \$2,050 | \$1,570 | \$480 |
| Transfers Out | (3,350,117) | (2,076,006) | (1,274,111) |
| Total | <u><u>(\$3,348,067)</u></u> | <u><u>(\$2,074,436)</u></u> | <u><u>(\$1,273,631)</u></u> |

CITY OF BRYAN, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011***

Unaudited

Police and Fire Building Construction Fund – The Police and Fire Building Construction fund reported the issuance of \$4,975,000 of bonds to finance the construction of a new building to house the police and fire departments.

Municipal Building Construction Debt Service Fund – The City's Municipal Building Construction Debt Service fund continued to report the issuance and retirement of long-term notes payable for the construction of the new municipal building.

Capital Improvement Fund – The City's Capital Improvement fund balance increased 30% when compared with the previous year. This was the result of an increase in income taxes transferred into the fund in 2011.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During 2011, the City amended its General Fund budget several times to reflect changing circumstances.

Original budgeted, final budgeted and actual budget basis revenues were not significantly different.

The difference between final budgeted appropriations and original budgeted appropriations was insignificant. Final budgeted appropriations exceeded actual expenditures by 20%. This was mainly the result of controlling expenditures across all general fund departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011 the City had \$62,696,961 net of accumulated depreciation invested in land, buildings and improvements, infrastructure, and machinery and equipment. Of this total, \$23,022,771 was related to governmental activities and \$39,674,190 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

| | <u>Governmental Activities</u> | | <u>Increase (Decrease)</u> |
|-----------------------------------|------------------------------------|---------------------|--------------------------------|
| | <u>2011</u> | <u>2010</u> | |
| Land | \$4,861,489 | \$4,861,489 | \$0 |
| Construction In Progress | 1,380,244 | 194,640 | 1,185,604 |
| Buildings | 11,174,670 | 11,212,222 | (37,552) |
| Improvements Other than Buildings | 3,350,536 | 3,265,757 | 84,779 |
| Infrastructure | 12,636,666 | 12,177,952 | 458,714 |
| Machinery and Equipment | 6,584,827 | 6,507,463 | 77,364 |
| Less: Accumulated Depreciation | <u>(16,965,661)</u> | <u>(16,256,038)</u> | <u>(709,623)</u> |
| Totals | <u>\$23,022,771</u> | <u>\$21,963,485</u> | <u>\$1,059,286</u> |

CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

Unaudited

Construction of a new police and fire building resulted in the increase in construction in progress while the increase in infrastructure can be attributed to routine street maintenance.

| | Business-Type Activities | | Increase (Decrease) |
|--------------------------------|-----------------------------|--------------|------------------------|
| | 2011 | 2010 | |
| Land | \$1,571,307 | \$1,571,307 | \$0 |
| Construction in Progress | 484,279 | 760,887 | (276,608) |
| Buildings and Improvements | 14,203,931 | 14,203,931 | 0 |
| Infrastructure | 31,339,160 | 30,024,282 | 1,314,878 |
| Machinery and Equipment | 46,062,439 | 45,266,189 | 796,250 |
| Less: Accumulated Depreciation | (53,986,926) | (51,976,411) | (2,010,515) |
| Totals | \$39,674,190 | \$39,850,185 | (\$175,995) |

A street lighting efficiency improvement project contributed to the increase in infrastructure. Machinery and equipment additions can mostly be attributed to purchases within the electric and sewer departments. Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2011, the City had \$5.1 million in bonds outstanding. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

| | 2011 | 2010 |
|---------------------------------------|-------------|-------------|
| Governmental Activities: | | |
| Long-Term Bond Anticipation Notes | \$1,000,000 | \$1,800,000 |
| General Obligation Bonds | 5,094,917 | 0 |
| Compensated Absences | 1,052,853 | 1,003,456 |
| Total Governmental Activities | 7,147,770 | 2,803,456 |
| Business-Type Activities: | | |
| Long-Term Notes Payable | 0 | 2,800,000 |
| Ohio Water Development Authority Loan | 370,151 | 491,577 |
| Compensated Absences | 986,716 | 977,204 |
| Total Business-Type Activities | 1,356,867 | 4,268,781 |
| Totals | \$8,504,637 | \$7,072,237 |

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

CITY OF BRYAN, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011***

Unaudited

ECONOMIC FACTORS

The following analysis utilizes cash basis figures. Analysis of the General Fund reflects fund activity as reported on a budgetary basis.

The City's unexpended general fund balance as of December 31, 2011, was down by approximately \$252,989 over the year ending 2010 balance. This is largely attributable to transfers from the 1% Income Tax Fund to the general fund being down by \$150,000 year over year in an effort to pay additional principal on the Don North Municipal Building from the 1% Income Tax Fund. In addition, the City's general fund disbursements for 2011 were up by approximately \$77,230 more from 2010 general fund disbursements. However, the City's general fund expenditures for 2011 were approximately 20% less than the final 2011 approved budget.

Income tax receipts for 2011 were up by approximately 1.4% when compared to 2010 income tax receipts. High unemployment in the area continued to be a major contributing factor to the income tax receipts still coming in well below 2007 and 2008 levels.

Conservative budgeting continues to be a reflection of the current economic climate.

In November 2005, taxpayers voted a .3% permanent income tax for the Fire Department operations. As an independent revenue source, this tax should continue to support the condition of the general fund.

Bryan is a commercial and industrial hub for Northwest Ohio. It is conveniently located within one-hour drive of Toledo and Fort Wayne. Cleveland, Cincinnati, Detroit and Chicago are within an easy drive of the City. State routes 2, 15, 6 and 34 are major roadways serving Bryan and the Ohio Turnpike is only 8 miles to the North of the City. Industrial opportunities are available. Bryan continues to attract interest through Enterprise Zone Agreements, revolving loans and working in conjunction with the Bryan Economic Development Office.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Laura Rode, Clerk-Treasurer of the City of Bryan.

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CITY OF BRYAN, OHIO

Statement of Net Assets
December 31, 2011

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 20,065,604 | \$ 10,239,306 | \$ 30,304,910 |
| Receivables: | | | |
| Accounts | 297,850 | 2,548,409 | 2,846,259 |
| Intergovernmental | 478,783 | 0 | 478,783 |
| Interest | 935 | 473 | 1,408 |
| Taxes | 1,550,537 | 0 | 1,550,537 |
| Special Assessments | 194,312 | 0 | 194,312 |
| Loans | 1,758,305 | 0 | 1,758,305 |
| Internal Balance | (290,489) | 290,489 | 0 |
| Inventory of Supplies at Cost | 94,678 | 1,407,921 | 1,502,599 |
| Prepaid Items | 46,487 | 343,934 | 390,421 |
| Investment in Joint Venture | 0 | 1,070,741 | 1,070,741 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 1,750 | 1,750 |
| Capital Assets, Net | 23,022,771 | 39,674,190 | 62,696,961 |
| Total Assets | 47,219,773 | 55,577,213 | 102,796,986 |
| Liabilities: | | | |
| Accounts Payable | 337,312 | 1,351,921 | 1,689,233 |
| Accrued Wages and Benefits | 234,007 | 152,753 | 386,760 |
| Intergovernmental Payable | 5,458 | 18,624 | 24,082 |
| Claims Payable | 272,850 | 0 | 272,850 |
| Matured Bonds and Interest Payable | 0 | 1,750 | 1,750 |
| Unearned Revenue | 404,682 | 679,999 | 1,084,681 |
| Accrued Interest Payable | 15,021 | 0 | 15,021 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,460,355 | 347,377 | 1,807,732 |
| Due in more than one year | 5,687,415 | 1,009,490 | 6,696,905 |
| Total Liabilities | 8,417,100 | 3,561,914 | 11,979,014 |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Related Debt | 20,922,119 | 39,304,039 | 60,226,158 |
| Restricted For: | | | |
| Capital Projects | 4,944,209 | 0 | 4,944,209 |
| Other Purposes | 5,693,337 | 0 | 5,693,337 |
| Unrestricted | 7,243,008 | 12,711,260 | 19,954,268 |
| Total Net Assets | \$ 38,802,673 | \$ 52,015,299 | \$ 90,817,972 |

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

**Statement of Activities
For the Year Ended December 31, 2011**

| | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Security of Persons and Property | \$ 2,717,869 | \$ 87,586 | \$ 10,455 | \$ 0 |
| Leisure Time Activities | 1,157,264 | 83,206 | 0 | 0 |
| Community Environment | 444,968 | 6,974 | 382,415 | 0 |
| Public Health and Welfare | 79,475 | 25,613 | 0 | 0 |
| Transportation | 1,183,386 | 0 | 388,185 | 161,092 |
| General Government | 3,601,584 | 792,604 | 68,986 | 0 |
| Interest and Fiscal Charges | 163,154 | 0 | 0 | 0 |
| Total Governmental Activities | <u>9,347,700</u> | <u>995,983</u> | <u>850,041</u> | <u>161,092</u> |
| Business-Type Activities: | | | | |
| Water | 1,588,914 | 1,756,510 | 0 | 0 |
| Sewer | 1,236,298 | 1,057,503 | 0 | 0 |
| Refuse Collection | 916,979 | 938,592 | 0 | 0 |
| Electric Operating | 20,006,291 | 21,432,245 | 0 | 0 |
| Communication Operations | 2,130,624 | 2,312,066 | 0 | 0 |
| Total Business-Type Activities | <u>25,879,106</u> | <u>27,496,916</u> | <u>0</u> | <u>0</u> |
| Totals | <u>\$ 35,226,806</u> | <u>\$ 28,492,899</u> | <u>\$ 850,041</u> | <u>\$ 161,092</u> |

General Revenues and Transfers

Property Taxes Levied for:

- General Purposes
- Income Tax
- Other Local Taxes
- Intergovernmental Revenues, Unrestricted
- Investment Earnings
- Unrestricted Contributions
- Miscellaneous
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

Net (Expense) Revenue
and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (2,619,828) | \$ 0 | \$ (2,619,828) |
| (1,074,058) | 0 | (1,074,058) |
| (55,579) | 0 | (55,579) |
| (53,862) | 0 | (53,862) |
| (634,109) | 0 | (634,109) |
| (2,739,994) | 0 | (2,739,994) |
| (163,154) | 0 | (163,154) |
| <u>(7,340,584)</u> | <u>0</u> | <u>(7,340,584)</u> |
| 0 | 167,596 | 167,596 |
| 0 | (178,795) | (178,795) |
| 0 | 21,613 | 21,613 |
| 0 | 1,425,954 | 1,425,954 |
| 0 | 181,442 | 181,442 |
| <u>0</u> | <u>1,617,810</u> | <u>1,617,810</u> |
| <u>(7,340,584)</u> | <u>1,617,810</u> | <u>(5,722,774)</u> |
| 435,217 | 0 | 435,217 |
| 6,383,087 | 0 | 6,383,087 |
| 785,763 | 0 | 785,763 |
| 671,663 | 0 | 671,663 |
| 13,331 | 8,271 | 21,602 |
| 21,818 | 0 | 21,818 |
| 527,604 | 0 | 527,604 |
| (487,028) | 487,028 | 0 |
| <u>8,351,455</u> | <u>495,299</u> | <u>8,846,754</u> |
| 1,010,871 | 2,113,109 | 3,123,980 |
| <u>37,791,802</u> | <u>49,902,190</u> | <u>87,693,992</u> |
| <u>\$ 38,802,673</u> | <u>\$ 52,015,299</u> | <u>\$ 90,817,972</u> |

CITY OF BRYAN, OHIO

Balance Sheet
Governmental Funds
December 31, 2011

| | General | Police and Fire Building Construction | Municipal Building Construction Debt Service |
|---|---------------------|--|---|
| | <u>General</u> | <u>Police and Fire Building Construction</u> | <u>Municipal Building Construction Debt Service</u> |
| Assets: | | | |
| Cash and Cash Equivalents | \$ 6,264,742 | \$ 6,963,051 | \$ 99,693 |
| Receivables: | | | |
| Taxes | 1,413,863 | 0 | 0 |
| Accounts | 269,170 | 971 | 0 |
| Intergovernmental | 248,055 | 0 | 0 |
| Interest | 724 | 0 | 0 |
| Special Assessments | 0 | 0 | 0 |
| Loans | 0 | 0 | 0 |
| Inventory of Supplies, at Cost | 0 | 0 | 0 |
| Prepaid Items | 26,678 | 0 | 0 |
| Total Assets | <u>\$ 8,223,232</u> | <u>\$ 6,964,022</u> | <u>\$ 99,693</u> |
| Liabilities: | | | |
| Accounts Payable | \$ 47,432 | \$ 218,609 | \$ 0 |
| Accrued Wages and Benefits Payable | 187,745 | 0 | 0 |
| Intergovernmental Payable | 4,836 | 0 | 0 |
| Deferred Revenue | 847,511 | 0 | 0 |
| Compensated Absences Payable | 1,025 | 0 | 0 |
| Total Liabilities | <u>1,088,549</u> | <u>218,609</u> | <u>0</u> |
| Fund Balance: | | | |
| Nonspendable | 26,678 | 0 | 0 |
| Restricted | 0 | 6,745,413 | 99,693 |
| Assigned | 176,143 | 0 | 0 |
| Unassigned | 6,931,862 | 0 | 0 |
| Total Fund Balance | <u>7,134,683</u> | <u>6,745,413</u> | <u>99,693</u> |
| Total Liabilities and Fund Balance | <u>\$ 8,223,232</u> | <u>\$ 6,964,022</u> | <u>\$ 99,693</u> |

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

| Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|------------------------|--------------------------------|--------------------------------|
| \$ 1,654,256 | \$ 3,994,417 | \$ 18,976,159 |
| 0 | 136,674 | 1,550,537 |
| 0 | 27,709 | 297,850 |
| 0 | 230,728 | 478,783 |
| 0 | 160 | 884 |
| 194,312 | 0 | 194,312 |
| 0 | 1,758,305 | 1,758,305 |
| 0 | 94,678 | 94,678 |
| 0 | 19,809 | 46,487 |
| <u>\$ 1,848,568</u> | <u>\$ 6,262,480</u> | <u>\$ 23,397,995</u> |
| | | |
| \$ 25,916 | \$ 45,355 | \$ 337,312 |
| 0 | 46,262 | 234,007 |
| 0 | 622 | 5,458 |
| 194,312 | 158,007 | 1,199,830 |
| 0 | 0 | 1,025 |
| <u>220,228</u> | <u>250,246</u> | <u>1,777,632</u> |
| | | |
| 0 | 1,885,323 | 1,912,001 |
| 1,628,340 | 4,126,911 | 12,600,357 |
| 0 | 0 | 176,143 |
| 0 | 0 | 6,931,862 |
| <u>1,628,340</u> | <u>6,012,234</u> | <u>21,620,363</u> |
| <u>\$ 1,848,568</u> | <u>\$ 6,262,480</u> | <u>\$ 23,397,995</u> |

CITY OF BRYAN, OHIO

***Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011***

Total Governmental Fund Balances \$ 21,620,363

***Amounts reported for governmental activities in the
statement of net assets are different because***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 23,022,771

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 795,148

Internal service funds are used by management to charge
the costs of insurance to individual funds. The assets
and liabilities of the internal service funds are included in
governmental activities in the statement of net assets. 526,157

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

| | | |
|----------------------------------|--------------------|--------------------|
| Long-Term Bond Anticipation Note | (1,000,000) | |
| General Obligation Bonds Payable | (5,094,917) | |
| Compensated Absences Payable | (1,051,828) | |
| Accrued Interest Payable | (15,021) | |
| | <u>(7,161,766)</u> | <u>(7,161,766)</u> |

Net Assets of Governmental Activities **\$ 38,802,673**

See accompanying notes to the basic financial statements

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CITY OF BRYAN, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

| | General | Police and Fire Building Construction | Municipal Building Construction Debt Service |
|--|---------------------|---|---|
| Revenues: | | | |
| Taxes | \$ 6,540,412 | \$ 0 | \$ 0 |
| Intergovernmental Revenues | 717,089 | 0 | 0 |
| Charges for Services | 162,563 | 0 | 0 |
| Licenses and Permits | 11,655 | 0 | 0 |
| Investment Earnings | 9,647 | 0 | 0 |
| Special Assessments | 0 | 0 | 0 |
| Fines and Forfeitures | 529,340 | 0 | 0 |
| All Other Revenue | 464,101 | 971 | 0 |
| Total Revenue | <u>8,434,807</u> | <u>971</u> | <u>0</u> |
| Expenditures: | | | |
| Current: | | | |
| Security of Persons and Property | 1,661,923 | 0 | 0 |
| Public Health and Welfare | 77,150 | 0 | 0 |
| Leisure Time Activities | 954,065 | 0 | 0 |
| Community Environment | 0 | 0 | 0 |
| Transportation | 0 | 0 | 0 |
| General Government | 2,871,927 | 0 | 0 |
| Capital Outlay | 0 | 1,005,735 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 1,800,000 |
| Interest & Fiscal Charges | 0 | 94,917 | 26,458 |
| Total Expenditures | <u>5,565,065</u> | <u>1,100,652</u> | <u>1,826,458</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,869,742 | (1,099,681) | (1,826,458) |
| Other Financing Sources (Uses): | | | |
| Sale of Capital Assets | 2,050 | 0 | 0 |
| Bond Issuance | 0 | 4,975,000 | 0 |
| Premium on Bond Issuance | 0 | 119,917 | 0 |
| Sale of Notes | 0 | 0 | 1,000,000 |
| Transfers In | 0 | 900,000 | 840,000 |
| Transfers Out | (3,350,117) | (30,000) | 0 |
| Total Other Financing Sources (Uses) | <u>(3,348,067)</u> | <u>5,964,917</u> | <u>1,840,000</u> |
| Net Change in Fund Balance | (478,325) | 4,865,236 | 13,542 |
| Fund Balance at Beginning of Year | 7,613,008 | 1,880,177 | 86,151 |
| Increase in Inventory Reserve | 0 | 0 | 0 |
| Fund Balance End of Year | <u>\$ 7,134,683</u> | <u>\$ 6,745,413</u> | <u>\$ 99,693</u> |

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

| Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|------------------------|--------------------------------|--------------------------------|
| \$ 0 | \$ 1,064,052 | \$ 7,604,464 |
| 32,043 | 1,396,606 | 2,145,738 |
| 0 | 60,529 | 223,092 |
| 0 | 0 | 11,655 |
| 11 | 2,729 | 12,387 |
| 73,129 | 0 | 73,129 |
| 0 | 238,216 | 767,556 |
| 0 | 84,350 | 549,422 |
| <u>105,183</u> | <u>2,846,482</u> | <u>11,387,443</u> |
| 0 | 825,402 | 2,487,325 |
| 0 | 0 | 77,150 |
| 0 | 0 | 954,065 |
| 0 | 444,968 | 444,968 |
| 0 | 748,794 | 748,794 |
| 0 | 136,842 | 3,008,769 |
| 926,878 | 359,795 | 2,292,408 |
| 0 | 0 | 1,800,000 |
| 0 | 28,752 | 150,127 |
| <u>926,878</u> | <u>2,544,553</u> | <u>11,963,606</u> |
| (821,695) | 301,929 | (576,163) |
| 0 | 0 | 2,050 |
| 0 | 0 | 4,975,000 |
| 0 | 0 | 119,917 |
| 0 | 0 | 1,000,000 |
| 1,200,000 | 680,000 | 3,620,000 |
| 0 | (726,911) | (4,107,028) |
| <u>1,200,000</u> | <u>(46,911)</u> | <u>5,609,939</u> |
| 378,305 | 255,018 | 5,033,776 |
| 1,250,035 | 5,740,854 | 16,570,225 |
| 0 | 16,362 | 16,362 |
| <u>\$ 1,628,340</u> | <u>\$ 6,012,234</u> | <u>\$ 21,620,363</u> |

CITY OF BRYAN, OHIO

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Fiscal Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 5,033,776

*Amounts reported for governmental activities in the statement of
activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|--------------------|-----------|
| Capital Outlay | 2,380,759 | |
| Depreciation Expense | <u>(1,071,422)</u> | 1,309,337 |

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

| | | |
|--|--|-----------|
| The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. | | (250,051) |
|--|--|-----------|

| | | |
|--|--|-----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (542,788) |
|--|--|-----------|

The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets.

| | | |
|--|--------------------|-------------|
| General Obligation Bonds Issued | (4,975,000) | |
| Premium on General Obligation Bonds Issued | (119,917) | |
| General Obligation Notes Issued | <u>(1,000,000)</u> | (6,094,917) |

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | | |
|--|--|-----------|
| Long Term Bond Anticipation Note Principal Payment | | 1,800,000 |
|--|--|-----------|

| | | |
|--|--|----------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (13,027) |
|--|--|----------|

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

| | | |
|----------------------|---------------|----------|
| Compensated Absences | (73,911) | |
| Change in Inventory | <u>16,362</u> | (57,549) |

Internal Service Funds used by management to charge the costs of services to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.

(173,910)

| | | |
|---|--|----------------------------|
| <i>Change in Net Assets of Governmental Activities</i> | | <u><u>\$ 1,010,871</u></u> |
|---|--|----------------------------|

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2011**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---------------------|---|
| Revenues: | | | | |
| Taxes | \$ 1,183,753 | \$ 1,221,670 | \$ 1,214,030 | \$ (7,640) |
| Intergovernmental Revenue | 647,151 | 667,880 | 710,900 | 43,020 |
| Charges for Services | 122,259 | 126,175 | 134,644 | 8,469 |
| Licenses and Permits | 6,395 | 6,600 | 11,638 | 5,038 |
| Investment Earnings | 14,534 | 15,000 | 9,920 | (5,080) |
| Fines and Forfeitures | 508,390 | 524,675 | 527,134 | 2,459 |
| All Other Revenues | 332,013 | 342,648 | 380,118 | 37,470 |
| Total Revenues | <u>2,814,495</u> | <u>2,904,648</u> | <u>2,988,384</u> | <u>83,736</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 2,060,884 | 2,134,198 | 1,704,184 | 430,014 |
| Public Health and Welfare | 93,139 | 96,452 | 77,018 | 19,434 |
| Leisure Time Activities | 1,196,311 | 1,238,868 | 989,252 | 249,616 |
| General Government | 3,300,793 | 3,418,214 | 2,729,487 | 688,727 |
| Total Expenditures | <u>6,651,127</u> | <u>6,887,732</u> | <u>5,499,941</u> | <u>1,387,791</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,836,632) | (3,983,084) | (2,511,557) | 1,471,527 |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | 0 | 0 | 2,050 | 2,050 |
| Transfers In | 2,600,000 | 2,600,000 | 2,050,000 | (550,000) |
| Total Other Financing Sources (Uses): | <u>2,600,000</u> | <u>2,600,000</u> | <u>2,052,050</u> | <u>(547,950)</u> |
| Net Change in Fund Balance | (1,236,632) | (1,383,084) | (459,507) | 923,577 |
| Fund Balance at Beginning of Year | 1,418,003 | 1,418,003 | 1,418,003 | 0 |
| Prior Year Encumbrances | 215,598 | 215,598 | 215,598 | 0 |
| Fund Balance at End of Year | <u>\$ 396,969</u> | <u>\$ 250,517</u> | <u>\$ 1,174,094</u> | <u>\$ 923,577</u> |

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2011**

| | Business-Type Activities | | | |
|---|--------------------------|-------------------|----------------------|-----------------------|
| | Enterprise Funds | | | |
| | Water | Sewer | Refuse Collection | Electric Operating |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,155,648 | \$ 707,729 | \$ 394,454 | \$ 7,240,841 |
| Accounts Receivable | 191,851 | 117,844 | 114,468 | 1,863,706 |
| Interest Receivable | 61 | 27 | 18 | 332 |
| Inventory of Supplies at Cost | 170,779 | 12,543 | 0 | 1,224,599 |
| Prepaid Items | 15,353 | 22,929 | 8,189 | 290,811 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 1,750 | 0 | 0 |
| Total Current Assets | <u>1,533,692</u> | <u>862,822</u> | <u>517,129</u> | <u>10,620,289</u> |
| Noncurrent Assets: | | | | |
| Investment in Joint Venture | 0 | 0 | 0 | 1,070,741 |
| Interfund Loan Receivable | 0 | 0 | 0 | 1,297,124 |
| Capital Assets, Net | <u>5,101,523</u> | <u>12,706,032</u> | <u>269,562</u> | <u>16,753,228</u> |
| Total Noncurrent Assets | <u>5,101,523</u> | <u>12,706,032</u> | <u>269,562</u> | <u>19,121,093</u> |
| Total Assets | <u>6,635,215</u> | <u>13,568,854</u> | <u>786,691</u> | <u>29,741,382</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 122,139 | 10,325 | 14,508 | 1,142,311 |
| Accrued Wages and Benefits | 25,241 | 13,782 | 14,997 | 81,762 |
| Intergovernmental Payable | 2,522 | 265 | 0 | 8,941 |
| Claims Payable | 0 | 0 | 0 | 0 |
| Unearned Revenue | 0 | 0 | 0 | 0 |
| Matured Bonds and Interest Payable | 0 | 1,750 | 0 | 0 |
| Compensated Absences Payable - Current | 35,934 | 19,951 | 11,858 | 136,842 |
| OWDA Loans Payable - Current | 0 | 122,400 | 0 | 0 |
| Total Current Liabilities | <u>185,836</u> | <u>168,473</u> | <u>41,363</u> | <u>1,369,856</u> |

CITY OF BRYAN, OHIO

| Communication Operations | Total | Governmental Activities - Internal Service Funds |
|-----------------------------|---------------|---|
| \$ 740,634 | \$ 10,239,306 | \$ 1,089,445 |
| 260,540 | 2,548,409 | 0 |
| 35 | 473 | 51 |
| 0 | 1,407,921 | 0 |
| 6,652 | 343,934 | 0 |
| 0 | 1,750 | 0 |
| 1,007,861 | 14,541,793 | 1,089,496 |
| 0 | 1,070,741 | 0 |
| 0 | 1,297,124 | 0 |
| 4,843,845 | 39,674,190 | 0 |
| 4,843,845 | 42,042,055 | 0 |
| 5,851,706 | 56,583,848 | 1,089,496 |
| 62,638 | 1,351,921 | 0 |
| 16,971 | 152,753 | 0 |
| 6,896 | 18,624 | 0 |
| 0 | 0 | 272,850 |
| 679,999 | 679,999 | 0 |
| 0 | 1,750 | 0 |
| 20,392 | 224,977 | 0 |
| 0 | 122,400 | 0 |
| 786,896 | 2,552,424 | 272,850 |

(Continued)

CITY OF BRYAN, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2011

| | Business-Type Activities | | | |
|---|--------------------------|----------------------|----------------------|-----------------------|
| | Enterprise Funds | | | |
| | Water | Sewer | Refuse Collection | Electric Operating |
| Noncurrent Liabilities: | | | | |
| OWDA Loans Payable | 0 | 247,751 | 0 | 0 |
| Interfund Loan Payable | 49,124 | 0 | 0 | 0 |
| Compensated Absences Payable | 148,785 | 75,685 | 33,481 | 476,677 |
| Total Noncurrent Liabilities | <u>197,909</u> | <u>323,436</u> | <u>33,481</u> | <u>476,677</u> |
| Total Liabilities | <u>383,745</u> | <u>491,909</u> | <u>74,844</u> | <u>1,846,533</u> |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 5,101,523 | 12,335,881 | 269,562 | 16,753,228 |
| Unrestricted | <u>1,149,947</u> | <u>741,064</u> | <u>442,285</u> | <u>11,141,621</u> |
| Total Net Assets | <u>\$ 6,251,470</u> | <u>\$ 13,076,945</u> | <u>\$ 711,847</u> | <u>\$ 27,894,849</u> |

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

| <u>Communication Operations</u> | <u>Total</u> | <u>Governmental Activities - Internal Service Funds</u> |
|-------------------------------------|----------------------|---|
| 0 | 247,751 | 0 |
| 1,248,000 | 1,297,124 | 0 |
| 27,111 | 761,739 | 0 |
| <u>1,275,111</u> | <u>2,306,614</u> | <u>0</u> |
| <u>2,062,007</u> | <u>4,859,038</u> | <u>272,850</u> |
| 4,843,845 | 39,304,039 | 0 |
| <u>(1,054,146)</u> | <u>12,420,771</u> | <u>816,646</u> |
| <u>\$ 3,789,699</u> | <u>\$ 51,724,810</u> | <u>\$ 816,646</u> |
| | <u>290,489</u> | |
| | <u>\$ 52,015,299</u> | |

CITY OF BRYAN, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011**

| | Business-Type Activities | | | |
|--|--------------------------|----------------------|----------------------|-----------------------|
| | Enterprise Funds | | | |
| | Water | Sewer | Refuse Collection | Electric Operating |
| Operating Revenues: | | | | |
| Charges for Services | \$ 1,738,734 | \$ 968,553 | \$ 827,262 | \$ 20,764,312 |
| Other Operating Revenues | 5,799 | 88,944 | 107,861 | 250,832 |
| Total Operating Revenues | <u>1,744,533</u> | <u>1,057,497</u> | <u>935,123</u> | <u>21,015,144</u> |
| Operating Expenses: | | | | |
| Personal Services | 955,720 | 483,004 | 511,008 | 2,587,275 |
| Contractual Services | 224,800 | 161,812 | 309,792 | 15,650,458 |
| Materials and Supplies | 173,677 | 62,842 | 64,863 | 341,202 |
| Health Insurance Claims | 0 | 0 | 0 | 0 |
| Depreciation | 216,588 | 523,489 | 31,316 | 1,049,177 |
| Other Operating Expenses | 2,580 | 0 | 0 | 136,817 |
| Total Operating Expenses | <u>1,573,365</u> | <u>1,231,147</u> | <u>916,979</u> | <u>19,764,929</u> |
| Operating Income (Loss) | 171,168 | (173,650) | 18,144 | 1,250,215 |
| Non-Operating Revenue (Expenses): | | | | |
| Interest Income | 953 | 591 | 284 | 5,885 |
| Interest and Fiscal Charges | (11,895) | (3,690) | 0 | (18,984) |
| Income from Joint Venture | 0 | 0 | 0 | 34,967 |
| Loss on Disposal of Capital Assets | (3,654) | (1,461) | 0 | (52,912) |
| Other Nonoperating Revenue | 11,977 | 6 | 3,469 | 382,134 |
| Total Non-Operating Revenues (Expenses) | <u>(2,619)</u> | <u>(4,554)</u> | <u>3,753</u> | <u>351,090</u> |
| Income (Loss) Before Transfers | 168,549 | (178,204) | 21,897 | 1,601,305 |
| Transfers: | | | | |
| Transfers-In | 0 | 300,117 | 50,000 | 136,911 |
| Total Transfers | <u>0</u> | <u>300,117</u> | <u>50,000</u> | <u>136,911</u> |
| Change in Net Assets | 168,549 | 121,913 | 71,897 | 1,738,216 |
| Net Assets Beginning of Year | <u>6,082,921</u> | <u>12,955,032</u> | <u>639,950</u> | <u>26,156,633</u> |
| Net Assets End of Year | <u>\$ 6,251,470</u> | <u>\$ 13,076,945</u> | <u>\$ 711,847</u> | <u>\$ 27,894,849</u> |

Change in Net Assets - Total Enterprise Funds

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

| Communication Operations | Total | Governmental Activities - Internal Service Funds |
|-----------------------------|---------------|---|
| \$ 2,188,797 | \$ 26,487,658 | \$ 2,061,140 |
| 53,464 | 506,900 | 0 |
| 2,242,261 | 26,994,558 | 2,061,140 |
| 438,846 | 4,975,853 | 0 |
| 1,248,980 | 17,595,842 | 0 |
| 107,164 | 749,748 | 0 |
| 0 | 0 | 2,405,460 |
| 307,488 | 2,128,058 | 0 |
| 1,106 | 140,503 | 0 |
| 2,103,584 | 25,590,004 | 2,405,460 |
| 138,677 | 1,404,554 | (344,320) |
| 558 | 8,271 | 944 |
| (27,040) | (61,609) | 0 |
| 0 | 34,967 | 0 |
| 0 | (58,027) | 0 |
| 69,805 | 467,391 | 0 |
| 43,323 | 390,993 | 944 |
| 182,000 | 1,795,547 | (343,376) |
| 0 | 487,028 | 0 |
| 0 | 487,028 | 0 |
| 182,000 | 2,282,575 | (343,376) |
| 3,607,699 | 49,442,235 | 1,160,022 |
| \$ 3,789,699 | \$ 51,724,810 | \$ 816,646 |
| | \$ 2,282,575 | |
| | (169,466) | |
| | \$ 2,113,109 | |

CITY OF BRYAN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

| | Business Type Activities | | | |
|--|--------------------------|------------------|----------------------|-----------------------|
| | Enterprise Funds | | | |
| | Water | Sewer | Refuse Collection | Electric Operating |
| <u>Cash Flows from Operating Activities:</u> | | | | |
| Cash Received from Customers | \$1,741,604 | \$1,022,624 | \$940,642 | \$21,522,737 |
| Cash Payments for Goods and Services | (370,193) | (238,974) | (373,340) | (16,451,158) |
| Cash Payments to Employees | (941,877) | (493,288) | (530,152) | (2,585,403) |
| Net Cash Provided (Used) by Operating Activities | <u>429,534</u> | <u>290,362</u> | <u>37,150</u> | <u>2,486,176</u> |
| <u>Cash Flows from Noncapital Financing Activities:</u> | | | | |
| Transfers In from Other Funds | 0 | 300,117 | 50,000 | 146,371 |
| Transfers Out to Other Funds | 0 | 0 | 0 | (9,460) |
| Advances In from Other Funds | 0 | 0 | 0 | 693,562 |
| Advances Out to Other Funds | (49,562) | 0 | 0 | 0 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(49,562)</u> | <u>300,117</u> | <u>50,000</u> | <u>830,473</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | | | |
| Capital Contributions from Joint Venture | 0 | 0 | 0 | 72,387 |
| Proceeds from the Sale of Capital Assets | 0 | 1,519 | 0 | 0 |
| OWDA Loan Retirement | 0 | (121,426) | 0 | 0 |
| Principal Retirement on General Obligation Notes | 0 | 0 | 0 | (2,800,000) |
| Interest and Fiscal Charges | (11,895) | (3,690) | 0 | (49,551) |
| Acquisition and Construction of Assets | (241,303) | (603,843) | (22,772) | (898,643) |
| Net Cash Used for Capital and Related Financing Activities | <u>(253,198)</u> | <u>(727,440)</u> | <u>(22,772)</u> | <u>(3,675,807)</u> |
| <u>Cash Flows from Investing Activities:</u> | | | | |
| Receipts of Interest | 1,002 | 633 | 297 | 6,274 |
| Net Cash Provided by Noncapital Financing Activities | <u>1,002</u> | <u>633</u> | <u>297</u> | <u>6,274</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 127,776 | (136,328) | 64,675 | (352,884) |
| Cash and Cash Equivalents at Beginning of Year | <u>1,027,872</u> | <u>845,807</u> | <u>329,779</u> | <u>7,593,725</u> |
| Cash and Cash Equivalents at End of Year | <u>\$1,155,648</u> | <u>\$709,479</u> | <u>\$394,454</u> | <u>\$7,240,841</u> |
| <u>Reconciliation of Cash and</u> | | | | |
| <u>Cash Equivalents per the Statement of Net Assets:</u> | | | | |
| Cash and Cash Equivalents | \$1,155,648 | \$707,729 | \$394,454 | \$7,240,841 |
| Cash with Fiscal Agent | 0 | 1,750 | 0 | 0 |
| Cash and Cash Equivalents at End of Year | <u>\$1,155,648</u> | <u>\$709,479</u> | <u>\$394,454</u> | <u>\$7,240,841</u> |

CITY OF BRYAN, OHIO

| Communications Operations | Totals | Governmental- Activities Internal Service Fund |
|------------------------------|--------------|---|
| \$2,228,373 | \$27,455,980 | \$2,061,140 |
| (1,373,565) | (18,807,230) | (2,374,417) |
| (426,040) | (4,976,760) | 0 |
| 428,768 | 3,671,990 | (313,277) |
| 0 | 496,488 | 0 |
| 0 | (9,460) | 0 |
| 0 | 693,562 | 0 |
| (104,000) | (153,562) | 0 |
| (104,000) | 1,027,028 | 0 |
| 0 | 72,387 | 0 |
| 0 | 1,519 | 0 |
| 0 | (121,426) | 0 |
| 0 | (2,800,000) | 0 |
| (27,040) | (92,176) | 0 |
| (139,172) | (1,905,733) | 0 |
| (166,212) | (4,845,429) | 0 |
| 578 | 8,784 | 1,025 |
| 578 | 8,784 | 1,025 |
| 159,134 | (137,627) | (312,252) |
| 581,500 | 10,378,683 | 1,401,697 |
| \$740,634 | \$10,241,056 | \$1,089,445 |
| \$740,634 | \$10,239,306 | \$1,089,445 |
| 0 | 1,750 | 0 |
| \$740,634 | \$10,241,056 | \$1,089,445 |

(Continued)

CITY OF BRYAN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

| | Business Type Activities | | | |
|--|--------------------------|------------------|----------------------|-----------------------|
| | Enterprise Funds | | | |
| | Water | Sewer | Refuse Collection | Electric Operating |
| <u>Reconciliation of Operating Income (Loss) to Net Cash</u> | | | | |
| <u>Provided (Used) by Operating Activities:</u> | | | | |
| Operating Income (Loss) | \$171,168 | (\$173,650) | \$18,144 | \$1,250,215 |
| Adjustments to Reconcile Operating Income (Loss) to | | | | |
| Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | 216,588 | 523,489 | 31,316 | 1,049,177 |
| Non-Operating Revenue | 11,977 | 4,065 | 3,469 | 394,480 |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | (14,906) | (38,938) | 2,050 | 113,113 |
| (Increase) Decrease in Inventory | 34,761 | (780) | 0 | (94,676) |
| (Increase) Decrease in Prepaids | (726) | (762) | (53) | (43,063) |
| Increase (Decrease) in Accounts Payable | (4,227) | (12,689) | 8,400 | (120,324) |
| Decrease in Accrued Wages and Benefits | (942) | (876) | (1,312) | (6,506) |
| Increase in Claims Payable | 0 | 0 | 0 | 0 |
| Increase (Decrease) in Intergovernmental Payable | 1,234 | (89) | (7,032) | (64,946) |
| Increase (Decrease) in Compensated Absences | 14,607 | (9,408) | (17,832) | 8,706 |
| Total Adjustments | <u>258,366</u> | <u>464,012</u> | <u>19,006</u> | <u>1,235,961</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$429,534</u> | <u>\$290,362</u> | <u>\$37,150</u> | <u>\$2,486,176</u> |

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2011 the Water Fund, Electric Fund and Communications Fund had outstanding liabilities of \$114,475, \$50,829 and \$4,877, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

| <u>Communications Operations</u> | <u>Totals</u> | <u>Governmental- Activities Internal Service Fund</u> |
|--------------------------------------|--------------------|---|
| \$138,677 | \$1,404,554 | (\$344,320) |
| 307,488 | 2,128,058 | 0 |
| 13,138 | 427,129 | 0 |
| (27,026) | 34,293 | 0 |
| 0 | (60,695) | 0 |
| 2,456 | (42,148) | 0 |
| (3,353) | (132,193) | 0 |
| (633) | (10,269) | 0 |
| 0 | 0 | 31,043 |
| (15,418) | (86,251) | 0 |
| 13,439 | 9,512 | 0 |
| <u>290,091</u> | <u>2,267,436</u> | <u>31,043</u> |
| <u>\$428,768</u> | <u>\$3,671,990</u> | <u>(\$313,277)</u> |

CITY OF BRYAN, OHIO

***Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2011***

| | <u>Agency Fund</u> |
|---------------------------|--------------------|
| Assets: | |
| Cash and Cash Equivalents | \$ 13,878 |
| Total Assets | <u>13,878</u> |
| Liabilities: | |
| Due to Others | 13,878 |
| Total Liabilities | <u>\$ 13,878</u> |

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

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 financial statements are presented as of December 31, 2011 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 basic 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, 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, an 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, Inc.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Joint Ventures with Equity Interest: (Continued)

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

2. Joint Venture without Equity Interest:

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

3. Jointly Governed Organization:

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

American Municipal Power, Inc (AMP) – AMP is an Ohio not for profit corporation organized to provide electric capacity and energy and to furnish other services to its members. AMP is a membership organization comprised of 82 municipalities throughout Ohio, 1 municipality in Delaware, 30 municipalities in Pennsylvania, 6 municipalities in Michigan, 3 municipalities in Kentucky, 5 municipalities in Virginia, and 2 municipalities in West Virginia that own and operate electric systems. AMP purchases and generates electric capacity and energy for sale to its members.

The City's participation in these joint ventures and the jointly governed organization is further disclosed in Note 13 to the basic financial statements.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, 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 basic financial statements. The following fund types are used by the City:

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

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, uses and balances of financial resources).

The following are the City's major governmental funds:

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.

Police and Fire Building Construction Fund - This fund is used to account for revenues and expenditures designated for the construction of a new police and fire department building.

Municipal Building Construction Debt Service Fund – This fund is used to account for revenues designated for the retirement of the debt related to the construction of a new municipal building.

Capital Improvement Fund – This fund is used to account for financial resources used for the major capital projects undertaken by the City.

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CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" 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. 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's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Sewer Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Refuse Collection Fund – This fund is used to account for the City's refuse collection service.

Electric Operating Fund – This fund is used to account for the City's electric distribution services.

Communication Operations Fund – This fund is used to account for the City's cable television and internet 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. The City's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

Fiduciary 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's only fiduciary funds are agency funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. This fund is used to account for the collection and distribution of municipal court fines and forfeitures.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenditures.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). 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, 2011 but which are not intended to finance 2011 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the Government-wide financial statements, proprietary funds and agency 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. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 the General and Major Special Revenue funds are required to be reported. The legal level of budgetary control is the department level. 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 2011.

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, department and object level for all funds and may be modified during the year by Ordinance of City Council.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 legal level of control 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 "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual for the General Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

3. 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.

4. 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.

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.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 General Fund:

| | Net Change in Fund Balance |
|--|----------------------------|
| | General Fund |
| GAAP Basis (as reported) | (\$478,325) |
| Increase (Decrease): | |
| Accrued Revenues at December 31, 2011 received during 2012 | (1,084,301) |
| Accrued Revenues at December 31, 2010 received during 2011 | 958,997 |
| Accrued Expenditures at December 31, 2011 paid during 2012 | 241,038 |
| Accrued Expenditures at December 31, 2010 paid during 2011 | (255,239) |
| 2010 Prepays for 2011 | 24,562 |
| 2011 Prepays for 2012 | (26,678) |
| Outstanding Encumbrances | (206,519) |
| Perspective Difference: | |
| Activity of Funds Reclassified for GAAP Reporting Purposes | 366,958 |
| Budget Basis | <u>(\$459,507)</u> |

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The amounts in 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 STAR Ohio is considered to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost, which approximates fair value. The City allocates interest among the various funds based upon applicable legal and administrative requirements. See Note 3, "Cash, Cash Equivalents and Investments." Investment earnings of \$8,789 earned by other funds were credited to the general fund as required by local statute.

The City has invested funds in STAR Ohio during 2011. 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, 2011.

H. Inventory

On the government-wide financial statements and in the proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined 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 capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

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 capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Governmental and Business-Type Activities Estimated Lives (in years)</u> |
|--|---|
| Buildings | 20 - 40 |
| Improvements other than Buildings | 50 |
| Infrastructure | 15-75 |
| Machinery, Equipment, Furniture and Fixtures | 5 - 20 |

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

| <u>Obligation</u> | <u>Fund</u> |
|---|---|
| Capital Projects Fund Bond Anticipation Notes Payable | Municipal Building Construction Fund |
| General Obligation Bond | Police and Fire Building Debt Retirement Fund |
| Compensated Absences | General Fund Street Construction, Maintenance and Repair Fund, Fire Department Fund, Refuse Collection Fund, Water Fund, Sewer Fund, Electric Fund, Communication Operations Fund |
| Long Term Notes Payable Ohio Water Development Authority Loan Payable | Electric Fund Sewer Fund |

L. 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.

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." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

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

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts. The City has no fund balances reported as committed at December 31, 2011.

Assigned – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

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

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets in the financial statements because their use is limited for debt service payments and capital improvements.

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, collection of solid waste refuse, electric distribution and cable internet system. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items to report during fiscal year 2011.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 2 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balances | General Fund | Police and Fire Building Construction Fund | Municipal Building Construction Debt Service Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--|---|--------------------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | | | |
| Loans Receivable | \$0 | \$0 | \$0 | \$0 | \$1,758,305 | \$1,758,305 |
| Prepaid Items | 26,678 | 0 | 0 | 0 | 19,809 | 46,487 |
| Supplies Inventory | 0 | 0 | 0 | 0 | 94,678 | 94,678 |
| Unclaimed Funds | 0 | 0 | 0 | 0 | 12,531 | 12,531 |
| Total Nonspendable | <u>26,678</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,885,323</u> | <u>1,912,001</u> |
| Restricted: | | | | | | |
| Street Improvements | 0 | 0 | 0 | 0 | 1,054,015 | 1,054,015 |
| Court Computer Improvements | 0 | 0 | 0 | 0 | 288,617 | 288,617 |
| Community Development and Improvement | 0 | 0 | 0 | 0 | 365,297 | 365,297 |
| Pollution Remediation | 0 | 0 | 0 | 0 | 55,000 | 55,000 |
| Drug and Alcohol Treatment and Education | 0 | 0 | 0 | 0 | 251,315 | 251,315 |
| Court Special Projects | 0 | 0 | 0 | 0 | 36,618 | 36,618 |
| Adult Probation Program | 0 | 0 | 0 | 0 | 43,522 | 43,522 |
| Law Enforcement | 0 | 0 | 0 | 0 | 2,760 | 2,760 |
| Railroad Crossing Improvement | 0 | 0 | 0 | 0 | 1,000 | 1,000 |
| Fire Department Operations | 0 | 0 | 0 | 0 | 1,362,957 | 1,362,957 |
| Small Business Loans | 0 | 0 | 0 | 0 | 54,146 | 54,146 |
| Fire Vehicle Purchase | 0 | 0 | 0 | 0 | 327,379 | 327,379 |
| Debt Service Payments | 0 | 0 | 99,693 | 0 | 12,461 | 112,154 |
| Capital Acquisition and Construction | 0 | 6,745,413 | 0 | 1,628,340 | 271,824 | 8,645,577 |
| Total Restricted | <u>0</u> | <u>6,745,413</u> | <u>99,693</u> | <u>1,628,340</u> | <u>4,126,911</u> | <u>12,600,357</u> |
| Assigned: | | | | | | |
| Other Purposes | 176,143 | 0 | 0 | 0 | 0 | 176,143 |
| Total Assigned | <u>176,143</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>176,143</u> |
| Unassigned: | | | | | | |
| | 6,931,862 | 0 | 0 | 0 | 0 | 6,931,862 |
| Total Fund Balances | <u>\$7,134,683</u> | <u>\$6,745,413</u> | <u>\$99,693</u> | <u>\$1,628,340</u> | <u>\$6,012,234</u> | <u>\$21,620,363</u> |

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 3 - 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 five 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;
- 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).

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. 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. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$5,356,542 and the bank balance was \$5,619,207. Federal depository insurance covered \$3,557,137 of the bank balance and \$2,062,070 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

| | <u>Balance</u> |
|--|----------------|
| Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name | \$2,062,070 |
| Total Balance | \$2,062,070 |

At year end the City had \$3,270 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

B. Investments

The City's investments at December 31, 2011 are summarized below:

| | <u>Fair Value</u> | <u>Credit Rating</u> | <u>Investment Maturities (in Years)</u> | | |
|----------------------|-------------------|----------------------|---|------------|------------|
| | | | <u>less than 1</u> | <u>1-3</u> | <u>3-5</u> |
| STAR Ohio | \$13,614,150 | AAAm ¹ | \$13,614,150 | \$0 | \$0 |
| Repurchase Agreement | 11,346,576 | N/A | 11,346,576 | 0 | 0 |
| Total Investments | \$24,960,726 | | \$24,960,726 | \$0 | \$0 |

¹ Standard & Poor's

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The City’s investment policy limits security purchases to those that mature within two years from the date of purchase.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment in the repurchase agreement in the amount of \$11,346,576 is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty’s trust department or agent in the City’s name. The City has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee and ORC 135.14(E) requires that securities subject to repurchase be delivered to the government or the government’s agent.

Concentration of Credit Risk – With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio may be invested in a single security type or with a single financial institution.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio is 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 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 Financial Statements | \$30,320,538 | \$0 |
| Less: Petty Cash | (3,270) | |
| Investments: | | |
| Repurchase Agreements | (11,346,576) | 11,346,576 |
| STAR Ohio | (13,614,150) | 13,614,150 |
| Per GASB Statement No. 3 | <u>\$5,356,542</u> | <u>\$24,960,726</u> |

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are 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 are made in the third year following reappraisal. The last reappraisal was completed in 2006. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

House Bill No. 66 was signed into law on June 30, 2005 and phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2011 was \$2.80 per \$1,000 of assessed value. The assessed value upon which the 2011 levy was based was \$169,470,790. This amount constitutes \$168,377,990 in real property assessed value and \$1,092,800 in public utility 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.

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011**

NOTE 4 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1.8% 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 5 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2011:

| Fund | Transfer In | Transfer Out |
|--|-------------|--------------|
| General Fund | \$0 | \$3,350,117 |
| Police and Fire Building Construction Fund | 900,000 | 30,000 |
| Municipal Building Construction Fund | 840,000 | 0 |
| Capital Improvement Fund | 1,200,000 | 0 |
| Other Governmental Funds | 680,000 | 726,911 |
| Total Governmental Funds | 3,620,000 | 4,107,028 |
| Sewer Fund | 300,117 | 0 |
| Refuse Fund | 50,000 | 0 |
| Electric Operating Fund | 136,911 | 0 |
| Total Proprietary Funds | 487,028 | 0 |
| Totals | \$4,107,028 | \$4,107,028 |

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

| Fund | Interfund Loans Receivable | Interfund Loans Payable |
|-------------------------------|-------------------------------|----------------------------|
| Enterprise Funds: | | |
| Water Fund | \$0 | \$49,124 |
| Electric Fund | 1,297,124 | 0 |
| Communication Operations Fund | 0 | 1,248,000 |
| Total Enterprise Funds | 1,297,124 | 1,297,124 |
| Total | \$1,297,124 | \$1,297,124 |

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011**

NOTE 7 - RECEIVABLES

Receivables at December 31, 2011 consisted of taxes, accounts receivables, special assessments receivable, loans receivable, interest receivable and intergovernmental receivables arising from shared revenues.

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2011:

Historical Cost:

| Class | December 31, 2010 | Additions | Deletions | December 31, 2011 |
|--|----------------------|--------------------|--------------------|----------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$4,861,489 | \$0 | \$0 | \$4,861,489 |
| Construction in Progress | 194,640 | 1,189,204 | (3,600) | 1,380,244 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 11,212,222 | 263,348 | (300,900) | 11,174,670 |
| Improvements Other than Buildings | 3,265,757 | 84,779 | 0 | 3,350,536 |
| Infrastructure | 12,177,952 | 615,521 | (156,807) | 12,636,666 |
| Machinery and Equipment | 6,507,463 | 231,507 | (154,143) | 6,584,827 |
| Total Cost | <u>\$38,219,523</u> | <u>\$2,384,359</u> | <u>(\$615,450)</u> | <u>\$39,988,432</u> |

Accumulated Depreciation:

| Class | December 31, 2010 | Additions | Deletions | December 31, 2011 |
|-----------------------------------|-----------------------|------------------------|------------------|-----------------------|
| Buildings | (\$3,645,368) | (\$281,829) | \$105,315 | (\$3,821,882) |
| Improvements Other than Buildings | (1,533,997) | (139,087) | 0 | (1,673,084) |
| Infrastructure | (6,762,914) | (331,208) | 146,613 | (6,947,509) |
| Machinery and Equipment | (4,313,759) | (319,298) | 109,871 | (4,523,186) |
| Total Accumulated Depreciation | <u>(\$16,256,038)</u> | <u>(\$1,071,422) *</u> | <u>\$361,799</u> | <u>(\$16,965,661)</u> |
| <i>Net Value:</i> | <u>\$21,963,485</u> | | | <u>\$23,022,771</u> |

* Depreciation expenses were charged to governmental functions as follows:

| | |
|----------------------------------|--------------------|
| Security of Persons and Property | \$195,140 |
| Public Health and Welfare | 2,325 |
| Leisure Time Activities | 203,111 |
| Transportation | 429,105 |
| General Government | 241,741 |
| Total Depreciation Expense | <u>\$1,071,422</u> |

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2011:

Historical Cost:

| Class | December 31, 2010 | Additions | Deletions | December 31, 2011 |
|--|----------------------|--------------------|--------------------|----------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$1,571,307 | \$0 | \$0 | \$1,571,307 |
| Construction in Progress | 760,887 | 484,279 | (760,887) | 484,279 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and Improvements | 14,203,931 | 0 | 0 | 14,203,931 |
| Infrastructure | 30,024,282 | 1,446,998 | (132,120) | 31,339,160 |
| Machinery and Equipment | 45,266,189 | 841,219 | (44,969) | 46,062,439 |
| Total Cost | <u>\$91,826,596</u> | <u>\$2,772,496</u> | <u>(\$937,976)</u> | <u>\$93,661,116</u> |

Accumulated Depreciation:

| Class | December 31, 2010 | Additions | Deletions | December 31, 2011 |
|--------------------------------|-----------------------|----------------------|------------------|-----------------------|
| Buildings and Improvements | (\$6,659,988) | (\$388,239) | \$0 | (\$7,048,227) |
| Infrastructure | (8,746,905) | (793,555) | 81,584 | (9,458,876) |
| Machinery and Equipment | (36,569,518) | (946,264) | 35,959 | (37,479,823) |
| Total Accumulated Depreciation | <u>(\$51,976,411)</u> | <u>(\$2,128,058)</u> | <u>\$117,543</u> | <u>(\$53,986,926)</u> |
| <i>Net Value:</i> | <u>\$39,850,185</u> | | | <u>\$39,674,190</u> |

NOTE 9 – 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 (“OPERS”)

The following information was provided by OPERS 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 one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO).

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. 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 OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City’s required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$539,613, \$475,810 and \$441,916, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2011 were \$28,795 made by the City and \$20,568 made by the plan members.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. 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. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$121,146, \$122,786 and \$122,950 for police and \$36,840, \$36,156 and \$36,958 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$215,845, \$271,256 and \$316,221, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund ("OP&F") (Continued)

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$64,136, \$65,005 and \$65,091 for police and \$14,416, \$14,148 and \$14,462 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2011 were as follows:

| Interest Rate | Purpose | Maturity Date | Balance December 31, 2010 | Additions | Deductions | Balance December 31, 2011 | Amount Due Within One Year |
|--|-----------------------------------|------------------|---------------------------------|-------------|---------------|---------------------------------|----------------------------------|
| Governmental Activities: | | | | | | | |
| Capital Projects Fund Bond Anticipation Notes Payable | | | | | | | |
| 1.38% | Municipal Building Construction | | \$1,800,000 | \$0 | (\$1,800,000) | \$0 | \$0 |
| 1.38% | Municipal Building Construction | | 0 | 1,000,000 | 0 | 1,000,000 | 1,000,000 |
| Total Capital Projects Fund Bond Anticipation Notes Payable | | | 1,800,000 | 1,000,000 | (1,800,000) | 1,000,000 | 1,000,000 |
| General Obligation Bond: | | | | | | | |
| 2.0-4.0% | Police and Fire Building | 2031 | 0 | 4,975,000 | 0 | 4,975,000 | 190,000 |
| | Bond Premium | | 0 | 119,917 | 0 | 119,917 | 0 |
| Total General Obligation Bonds | | | 0 | 5,094,917 | 0 | 5,094,917 | 190,000 |
| Compensated Absences | | | 1,003,456 | 1,052,853 | (1,003,456) | 1,052,853 | 270,355 |
| Total Governmental Activities | | | 2,803,456 | 7,147,770 | (2,803,456) | 7,147,770 | 1,460,355 |
| Business-Type Activities: | | | | | | | |
| Electric Fund Long Term Notes Payable: | | | | | | | |
| 3.50% | Cable Facilities and Improvements | 2023 | 2,800,000 | 0 | (2,800,000) | 0 | 0 |
| Ohio Water Development Authority Loan | | | | | | | |
| 0.80% | Waste Water Treatment Plant | 2015 | 491,577 | 0 | (121,426) | 370,151 | 122,400 |
| Compensated Absences | | | 977,204 | 986,716 | (977,204) | 986,716 | 224,977 |
| Total Business-Type Activities | | | 4,268,781 | 986,716 | (3,898,630) | 1,356,867 | 347,377 |
| Total Other Long-Term Obligations | | | \$7,072,237 | \$8,134,486 | (\$6,702,086) | \$8,504,637 | \$1,807,732 |

The City entered into a loan agreement with American Municipal Power, Inc. (AMP) 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 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 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 in anticipation of which Bonds the Notes are issued. This loan was repaid in its entirety in 2011.

The City issued general obligation bonds on September 29, 2011 in the amount of \$4,975,000 to construction, furnish and equip a public safety building for the City police and fire departments. The bonds were issued under the authority of Ohio Revised Code Chapter 133. The bond issue included serial and term bonds, in the amount of \$3,990,000 and \$985,000, respectively. The bonds were issued for a twenty year period, with final maturity during fiscal year 2031.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The bonds maturing on or after December 1, 2022, are subject to prior redemption by and at the sole option of the City, in whole or in part as selected by the City (in whole multiples of \$5,000), on any date on or after December 1, 2021, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

The term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the authorizing legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on December 1 in the year and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2029 | \$315,000 |
| 2030 | 330,000 |

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement for the term bonds.

The City issued bond anticipation notes on November 17, 2011 in the amount of \$1,000,000 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 1.38 percent and will mature on November 15, 2012. These notes are considered long-term debt of the City.

The City has authorized an Ohio Water Development Authority loan in the amount of \$1,200,123 for the construction of solid handling improvements at the wastewater treatment plant. The loan has an interest rate of 0.8% and matures in 2015. The loan is being repaid from the Sewer Fund.

A. Long-Term Funding Requirements

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 were as follows:

| Years | <u>General Obligation Bond</u> | | <u>OWDA Loan</u> | |
|-----------|--------------------------------|--------------------|------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2012 | \$190,000 | \$166,950 | \$122,400 | \$2,717 |
| 2013 | 195,000 | 163,150 | 123,381 | 1,736 |
| 2014 | 195,000 | 159,250 | 124,370 | 746 |
| 2015 | 200,000 | 155,350 | 0 | 0 |
| 2016 | 205,000 | 151,350 | 0 | 0 |
| 2017-2021 | 1,110,000 | 671,600 | 0 | 0 |
| 2022-2026 | 1,300,000 | 473,500 | 0 | 0 |
| 2027-2031 | 1,580,000 | 194,600 | 0 | 0 |
| Totals | <u>\$4,975,000</u> | <u>\$2,135,750</u> | <u>\$370,151</u> | <u>\$5,199</u> |

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011***

NOTE 12 - 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 \$50,000 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.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from the above noted risks have not exceeded commercial insurance coverages during the past three years.

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

The claims liability of \$272,850 reported in the fund at December 31, 2011 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 2010 and 2011 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> |
|--------------------|---|---|----------------------------|---|
| 2010 | \$157,087 | \$2,048,269 | (\$1,963,549) | \$241,807 |
| 2011 | 241,807 | 2,405,460 | (2,374,417) | 272,850 |

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 13 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

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 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 \$838,138 at December 31, 2011. Complete financial statements for Omega JV-4 can be obtained from AMP at 2600 Airport Drive, Columbus, Ohio 43219, or from the State Auditor's website at www.auditor.state.oh.us.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) - The City of Bryan is a Financing Participant with an ownership percentage of 2.19%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011, the City has met their debt coverage obligation.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011***

NOTE 13 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION (Continued)

A. Joint Ventures with an Equity Interest (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$232,603 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 13 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION (Continued)

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 no monies to the Task Force in 2011. Complete financial statements for the Task Force can be obtained through the Defiance County Sheriff's Office located at 113 Biede Street, Defiance, Ohio 43512.

C. Jointly Governed Organization

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main source of revenue is fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2011, the City paid administrative fees of \$64,360 to MVPO.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 14 – PURCHASE COMMITMENT

A. Prairie State Project

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “*PSEC Ownership Interest*”) in the Prairie State Energy Campus, a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (“*AMP 368 LLC*”). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

From July 2008, through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (the “*Prairie State Bonds*”) to finance PSEC project costs and PSEC related expenses. The Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the aggregate principal amount of \$1,696,800,000.

AMP will sell the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the “*Prairie State Power Sales Contract*”) with 68 Members (the “*Prairie State Participants*”). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The City has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated approximately 7.5 MW of the project.

B. American Municipal Power Generating Station (AMPGS)

The City is a participant in the American Municipal Power Generating Station Project (the “*AMPGS Project*”). The City executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the “*AMPGS Project*”) voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. (Please see attached Joint Resolution No. 09-11-2891 dated November 24, 2009.) The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct (“*EPC*”) contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 14 – PURCHASE COMMITMENT (Continued)

B. American Municipal Power Generating Station (AMPGS) (Continued)

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the City has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 14 – PURCHASE COMMITMENT (Continued)

B. American Municipal Power Generating Station (AMPGS) (Continued)

AMP Fremont Energy Center (AFEC) Development Fee –

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The City is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the City receives a credit of \$553,319 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 5,285 and the total kW share of those participating in both projects.

Stranded Costs

Based on an allocation to Bryan of 7,500 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the City of Bryan had a potential stranded cost obligation of \$1,226,664 for the AMPGS Project. The City of Bryan made a payment of \$209,928.50, which is on deposit with AMP at December 31, 2011. In addition the AMP Fremont Energy Center credit could reduce the potential obligation by an additional \$553,319, resulting in a potential stranded cost obligation for the City of \$463,416 at December 31, 2011. In January 2012, the City of Bryan made a second payment of \$209,928.50. The City intends to pay the remaining obligation from accumulated earnings without adjusting rates upon conclusion of AMP's litigation with the EPC contractor. Due to uncertainty in the final outcome of pending litigation the City has elected not to record the potential stranded costs in the financial statements.

Had the City chosen to record the potential stranded costs as an expense, the City believes it would have not violated its debt covenant obligations with OMEGA Joint Venture 5.

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the City has relied upon its City Attorney, information provided by AMP and its legal counsel with respect to the data, as well as the City's audit team and City management.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended December 31, 2011

NOTE 14 – PURCHASE COMMITMENT (Continued)

C. Hydroelectric Projects

AMP is currently developing three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Projects”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers’ dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, are being constructed and will be operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the “Combined Hydroelectric Bonds”), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of June 1, 2012, \$2,041,436,765 aggregate principal amount of the Combined Hydroelectric Bonds was outstanding.

The City has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated approximately 1.8 MW of the project.

NOTE 15 - 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.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011***

NOTE 16 – OPERATING LEASES

The Board of Public Affairs passed a resolution in 2001 approving the lease of the fiber – coax plant owned by the electric fund to the communication fund which uses part of this infrastructure to deliver its services. According to this resolution, the communication fund is to pay the electric fund \$9 per month for each internet customer and \$3 per month for each cable customer. In 2011, the communication fund paid \$82,749 in lease payments to the electric fund for the use of its fiber – coax plant.

In January 2008, an agreement was made for a fifteen (15) year lease of fiber optic facilities between Bryan Municipal Utilities and Community Hospitals and Wellness Centers. An amount of \$425,000 was received prior to the commencement of the term and another payment of \$425,000 was made upon completion of the project. The lump sum of \$850,000 represents the net present value of a fifteen (15) year lease of the Community Hospital and Wellness Centers leased fibers.

Revenue from the lease agreement is being recognized as follows:

| <u>Year Ending December 31,</u> | <u>Operating Lease Revenue Recognition</u> |
|---------------------------------|--|
| 2012 | \$56,667 |
| 2013 | 56,667 |
| 2014 | 56,667 |
| 2015 | 56,667 |
| 2016 | 56,667 |
| 2017 - 2021 | 283,335 |
| 2022 - 2023 | 113,329 |
| Total | <u><u>\$679,999</u></u> |

The cost of the fiber optic extension is \$327,423, with a 50 year life and accumulated depreciation of \$22,918 at December 31, 2011.

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CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011***

NOTE 17 – ENCUMBRANCE COMMITMENTS

At December 31, 2011 the City had encumbrance commitments in the Governmental Funds as follows:

| <u>Fund</u> | <u>Encumbrances</u> |
|--|---------------------------|
| General Fund | \$222,768 |
| Police and Fire Building Construction Fund | 6,078,231 |
| Capital Improvement Fund | 476,964 |
| Other Governmental Funds | <u>317,971</u> |
| Total Governmental Funds | <u><u>\$7,095,934</u></u> |

NOTE 18 - CONDUIT DEBT OBLIGATIONS

The City has issued Revenue Bonds to provide financial assistance to the Community Hospitals and Wellness Centers. The monies are being used primarily for construction, renovation and improvements to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bonded indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2011, the outstanding bonds have a principal amount payable of \$9,803,918.

**CITY OF BRYAN
WILLIAMS COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|--|----------------------------------|---------------------------|----------------------------------|
| U.S. DEPARTMENT OF ENERGY | | | |
| <i>Passed Through Ohio Department of Development</i> | | | |
| ARRA - Energy Efficiency and Conservation Block Grant | | 81.128 | \$540,000 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| <i>Passed Through Ohio Department of Development</i> | | | |
| Home Investment Partnerships Program (Home) | A-C-09-2AQ-2 | 14.239 | 342,386 |
| Community Development Block Grant (Chip) | A-C-09-2AQ-1 | 14.228 | 53,916 |
| Community Development Block Grant (Revolving Loans) | n/a | 14.228 | <u>280,820</u> |
| Total | | | <u>334,736</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>677,122</u> |
| Total | | | <u><u>\$1,217,122</u></u> |

The accompanying notes are an integral part of this schedule.

**CITY OF BRYAN
WILLIAMS COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Bryan, Williams County, Ohio (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. 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 Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property or Uniform Commercial Filings (UCC) that collateralize machinery and equipment.

Activity in the CDBG revolving loan fund during 2011 is as follows:

| | |
|---|------------------|
| Beginning loans receivable balance as of January 1, 2011 | \$1,800,644 |
| Loans made | 252,000 |
| Loan principal repaid | <u>(294,339)</u> |
| Ending loans receivable balance as of December 31, 2011 | \$1,758,305 |
| | |
| Cash balance on hand in the revolving loan fund as of December 31, 2011 | \$393,347 |
| Administrative costs expended during 2011 | 28,820 |

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2011, the City estimates \$62,822 to be uncollectible.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Bryan
Williams County
1399 East High Street, P.O. Box 190
Bryan, Ohio 43506-0190

To the Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bryan, Williams County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 28, 2012.

We intend this report solely for the information and use of management, the audit committee, City Council, federal awarding agencies, pass-through entities, and others within the City. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

August 28, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Bryan
Williams County
1399 East High Street, P.O. Box 190
Bryan, Ohio 43506-0190

To the Members of the City Council:

Compliance

We have audited the compliance of the City of Bryan, Williams County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with these requirements.

In our opinion, the City of Bryan, Williams County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated August 28, 2012.

We intend this report solely for the information and use of the audit committee, management, City Council, others within the City, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

August 28, 2012

**CITY OF BRYAN
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | ARRA – Energy Efficiency and Conservation Block Grant CFDA 81.128 Community Development Block Grant CFDA 14.228 |
| <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**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

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
SEPTEMBER 18, 2012