



Dave Yost • Auditor of State

**CITY OF BRYAN
WILLIAMS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2016, 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 accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 14, 2017

CITY OF BRYAN, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2016

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, 2016. 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 2016 are as follows:

- ❑ In total, net position increased \$2,841,288. Net position of governmental activities increased \$867,001, which represents a 2% change from 2015. Net position of business-type activities increased \$1,974,287 or 3% from 2015.
- ❑ General revenues accounted for \$9,148,453 in revenue or 23% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$30,533,827, or 77% of total revenues of \$39,682,280.
- ❑ The City had \$9,837,143 in expenses related to governmental activities; only \$1,950,437 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$9,015,013 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$8,493,731 in revenues and other financing sources and \$7,956,168 in expenditures and other financing uses. The general fund's fund balance increased from a balance of \$5,803,946 to \$6,341,509.

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 Year Ended December 31, 2016*

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 position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. 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 position and how it has changed. Net position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is 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 Fund and Capital Improvement Fund, both of which are considered major funds. The relationship (or differences) between governmental activities (reported in the Statement of Net Position 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 Year Ended December 31, 2016

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 statements 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 Assets and Liabilities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2016 compared to 2015.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$17,698,186	\$16,663,573	\$24,248,810	\$20,536,497	\$41,946,996	\$37,200,070
Capital Assets, Net	30,045,603	30,073,404	40,699,914	41,977,817	70,745,517	72,051,221
Total Assets	<u>47,743,789</u>	<u>46,736,977</u>	<u>64,948,724</u>	<u>62,514,314</u>	<u>112,692,513</u>	<u>109,251,291</u>
Deferred Outflows of Resources	2,083,764	732,405	1,649,012	529,680	3,732,776	1,262,085
Net Pension Liability	6,644,043	4,999,745	4,319,168	3,000,228	10,963,211	7,999,973
Other Long-term Liabilities	5,142,975	5,459,363	1,438,389	1,540,869	6,581,364	7,000,232
Other Liabilities	534,934	462,707	2,193,145	1,860,947	2,728,079	2,323,654
Total Liabilities	<u>12,321,952</u>	<u>10,921,815</u>	<u>7,950,702</u>	<u>6,402,044</u>	<u>20,272,654</u>	<u>17,323,859</u>
Deferred Inflows of Resources	491,252	400,219	83,454	52,657	574,706	452,876
Net Position						
Net Investment in Capital Assets	25,965,666	25,782,471	40,271,768	41,478,759	66,237,434	67,261,230
Restricted	9,020,223	8,541,706	0	0	9,020,223	8,541,706
Unrestricted	2,028,460	1,823,171	18,291,812	15,110,534	20,320,272	16,933,705
Total Net Position	<u>\$37,014,349</u>	<u>\$36,147,348</u>	<u>\$58,563,580</u>	<u>\$56,589,293</u>	<u>\$95,577,929</u>	<u>\$92,736,641</u>

The City's adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27," significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CITY OF BRYAN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

Unaudited

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

CITY OF BRYAN, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2016

Unaudited

Change in Net Position – The following table shows the change in net position for 2016 compared to 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,095,880	\$1,041,527	\$28,583,390	\$25,530,152	\$29,679,270	\$26,571,679
Operating Grants and Contributions	604,557	857,796	0	0	604,557	857,796
Capital Grants and Contributions	250,000	0	0	0	250,000	0
Total Program revenues:	<u>1,950,437</u>	<u>1,899,323</u>	<u>28,583,390</u>	<u>25,530,152</u>	<u>30,533,827</u>	<u>27,429,475</u>
General revenues:						
Property Taxes	389,972	372,736	0	0	389,972	372,736
Income Taxes	7,345,771	6,717,296	0	0	7,345,771	6,717,296
Other Local Taxes	799,097	807,420	67,267	68,577	866,364	875,997
Intergovernmental Revenues, Unrestricted	293,319	358,849	0	0	293,319	358,849
Investment Earnings	61,442	12,975	66,173	13,193	127,615	26,168
Unrestricted Contributions	2,000	1,000	0	0	2,000	1,000
Miscellaneous	123,412	130,585	0	0	123,412	130,585
Total General revenues:	<u>9,015,013</u>	<u>8,400,861</u>	<u>133,440</u>	<u>81,770</u>	<u>9,148,453</u>	<u>8,482,631</u>
Total Revenues	<u>10,965,450</u>	<u>10,300,184</u>	<u>28,716,830</u>	<u>25,611,922</u>	<u>39,682,280</u>	<u>35,912,106</u>
Program Expenses						
Security of Persons and Property	3,398,302	3,366,688	0	0	3,398,302	3,366,688
Leisure Time Activities	1,010,823	1,054,798	0	0	1,010,823	1,054,798
Community Environment	33,877	665,612	0	0	33,877	665,612
Public Health and Welfare	31,664	40,871	0	0	31,664	40,871
Transportation	1,433,827	1,424,250	0	0	1,433,827	1,424,250
General Government	3,781,785	4,045,616	0	0	3,781,785	4,045,616
Interest and Fiscal Charges	146,865	150,272	0	0	146,865	150,272
Water	0	0	1,749,074	1,696,496	1,749,074	1,696,496
Sewer	0	0	1,632,608	1,740,411	1,632,608	1,740,411
Refuse Collection	0	0	1,101,453	1,050,356	1,101,453	1,050,356
Electric Operating	0	0	20,235,503	18,342,488	20,235,503	18,342,488
Communication Operations	0	0	2,285,211	2,295,670	2,285,211	2,295,670
Total Expenses	<u>9,837,143</u>	<u>10,748,107</u>	<u>27,003,849</u>	<u>25,125,421</u>	<u>36,840,992</u>	<u>35,873,528</u>
Change in Net Position Before Transfers	1,128,307	(447,923)	1,712,981	486,501	2,841,288	38,578
Transfers	(261,306)	(689,842)	261,306	689,842	0	0
Total Change in Net Position	867,001	(1,137,765)	1,974,287	1,176,343	2,841,288	38,578
Beginning Net Position	36,147,348	37,285,113	56,589,293	55,412,950	92,736,641	92,698,063
Ending Net Position	<u>\$37,014,349</u>	<u>\$36,147,348</u>	<u>\$58,563,580</u>	<u>\$56,589,293</u>	<u>\$95,577,929</u>	<u>\$92,736,641</u>

CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

Governmental Activities

Net position of the City's governmental activities increased \$867,001. This represents a 2% change from 2015.

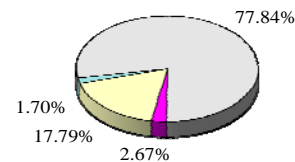
The most significant change in revenues was an increase in income tax collections. Withholding and net profit taxes both increased due to improved economic conditions. In 2016 the City received \$250,000 in OPWC grants for the Fountain Grove Drive project.

A decrease in expenses can be attributed to a decrease in community environment. An increase in community environment expenses in the prior year due to defaulted revolving loans that were written off resulted in a subsequent decrease in current year expense.

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 67% and 4%, respectively, of revenues for governmental activities in 2016. The City's reliance upon tax revenues is demonstrated by the following graph indicating 78% of total revenues from general tax revenues:

Revenue Sources	2016	Percent of Total
General Tax Revenues	\$8,534,840	77.84%
Intergovernmental, Unrestricted	293,319	2.67%
Program Revenues	1,950,437	17.79%
General Other	186,854	1.70%
Total Revenue	\$10,965,450	100.00%



Business-Type Activities

Net position of the business-type activities increased \$1,974,287. This represents a 3% change from 2015, which is consistent with the change in net position in the prior year. A substantial increase in charges for services and expenses can be attributed to costs for purchased power in the Electric Department.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$15,353,717, which is an increase from last year's balance of \$14,359,160. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	\$6,341,509	\$5,803,946	\$537,563
Capital Improvement	2,144,812	1,807,609	337,203
Other Governmental	6,867,396	6,747,605	119,791
Total	\$15,353,717	\$14,359,160	\$994,557

CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

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:

	2016 <u>Revenues</u>	2015 <u>Revenues</u>	Increase <u>(Decrease)</u>
Taxes	\$7,166,904	\$6,576,311	\$590,593
Intergovernmental Revenues	312,427	377,435	(65,008)
Charges for Services	313,785	286,741	27,044
Licenses and Permits	113,985	114,062	(77)
Investment Earnings	35,816	7,298	28,518
Gifts and Donations	47,428	14,249	33,179
Fines and Forfeitures	430,696	426,051	4,645
All Other Revenue	21,440	16,188	5,252
Total	<u><u>\$8,442,481</u></u>	<u><u>\$7,818,335</u></u>	<u><u>\$624,146</u></u>

General Fund revenues increased 8% when compared with the prior year. This can mostly be attributed to an increase in income tax collections. Withholding and net profit taxes both increased due to improved economic conditions.

	2016 <u>Expenditures</u>	2015 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Security of Persons and Property	\$1,812,326	\$1,844,257	(\$31,931)
Public Health and Welfare	28,426	38,760	(10,334)
Leisure Time Activities	877,859	898,237	(20,378)
General Government	3,112,875	3,737,112	(624,237)
Total	<u><u>\$5,831,486</u></u>	<u><u>\$6,518,366</u></u>	<u><u>(\$686,880)</u></u>

General Fund expenditures decreased \$686,880 or 11% from the prior year. A large reimbursement of net profit income tax estimated payments in the prior year resulted in the subsequent decrease in general government in 2016.

	2016 <u>Other Financing Sources (Uses)</u>	2015 <u>Other Financing Sources (Uses)</u>	Increase <u>(Decrease)</u>
Sale of Capital Assets	\$51,250	\$0	\$51,250
Transfers In	0	0	0
Transfers Out	(2,124,682)	(2,224,682)	100,000
Total	<u><u>(\$2,073,432)</u></u>	<u><u>(\$2,224,682)</u></u>	<u><u>\$151,250</u></u>

CITY OF BRYAN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

Unaudited

Capital Improvement Fund – The City's Capital Improvement Fund balance increased 19% when compared with the previous year. A significant increase in capital expenditures can be attributed to the Fountain Grove Drive rehabilitation project as well as repaving of various streets. An increase in revenues consisted of a \$250,000 OPWC grant for the Fountain Grove Drive project as well as a \$43,000 reimbursement from Pulaski Township for paving work.

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 2016, 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 17%. 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 2016 the City had \$70,745,517 net of accumulated depreciation invested in land, buildings and improvements, infrastructure, and machinery and equipment. Of this total, \$30,045,603 was related to governmental activities and \$40,699,914 to the business-type activities. The following tables show 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land	\$4,900,942	\$4,905,684	(\$4,742)
Buildings	18,668,237	18,551,831	116,406
Improvements Other than Buildings	4,067,340	3,990,577	76,763
Infrastructure	16,839,048	15,861,971	977,077
Machinery and Equipment	6,269,499	6,264,198	5,301
Less: Accumulated Depreciation	(20,699,463)	(19,500,857)	(1,198,606)
Totals	\$30,045,603	\$30,073,404	(\$27,801)

CITY OF BRYAN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2016	2015	
Land	\$2,400,485	\$2,400,485	\$0
Construction in Progress	358,463	75,112	283,351
Buildings and Improvements	15,776,674	15,648,395	128,279
Infrastructure	35,757,142	35,373,974	383,168
Machinery and Equipment	47,417,725	47,146,112	271,613
Less: Accumulated Depreciation	(61,010,575)	(58,666,261)	(2,344,314)
Totals	\$40,699,914	\$41,977,817	(\$1,277,903)

Significant governmental capital asset activity included rehabilitation of Fountain Grove Drive. In addition, a new building was added for vehicle and equipment storage.

Business-type activities capital asset activity included engineering costs related to the wastewater treatment plant upgrades. Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2016, the City had \$4.1 million in bonds outstanding. The following table summarizes the City's debt outstanding as of December 31, 2016 and 2015:

	2016	2015
Governmental Activities:		
General Obligation Bonds	\$4,079,937	\$4,290,933
Net Pension Liability	6,644,043	4,999,745
Compensated Absences	1,063,038	1,168,430
Total Governmental Activities	11,787,018	10,459,108
Business-Type Activities:		
Ohio Water Development Authority Loans	428,146	499,058
Net Pension Liability	4,319,168	3,000,228
Compensated Absences	1,010,243	1,041,811
Total Business-Type Activities	5,757,557	4,541,097
Totals	\$17,544,575	\$15,000,205

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, 2016, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

CITY OF BRYAN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

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, 2016, was up by approximately \$102,193 over the year ending 2015 balance. The increase in transfers from the 1% income tax fund is primarily attributable to the increase in revenues as \$150,000 more transfers in took place in 2016 when compared to 2015. In an offset, the City's general fund disbursements for 2016 were up by approximately \$176,468 from 2015 general fund disbursements. The City's general fund expenditures for 2016 were approximately 17% less than the final 2016 approved budget. Income tax receipts for 2016 were up by approximately 13% when compared to 2015 income tax receipts. This increase was in large part due to an increase in withholding of \$475,737 when comparing 2016 to 2015.

Conservative budgeting continues to be a reflection of the general economic climate as well as State mandated local government funds reduction and the elimination of the estate tax. Income tax revenues will be a notable concern for 2017 forward as mandated changes to the income tax laws have been made in the State of Ohio. Of primary concern is the change to net operating loss carryforward.

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

A property exceeding 80 acres was purchased in 2014 on the north side of Bryan in an effort to attract large businesses to the City. At this time, the intent is to split the property into four (4) approximately 20 acre lots for industrial development. 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. Bryan continues to attract interest through Enterprise Zone Agreements, revolving loans and working in conjunction with the Bryan Economic Development Office and the Williams County Economic Development Corporation.

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 Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 14,940,069	\$ 17,595,566	\$ 32,535,635
Receivables:			
Taxes	1,381,040	0	1,381,040
Accounts	136,651	3,778,670	3,915,321
Intergovernmental	417,637	0	417,637
Interest	6,195	7,142	13,337
Loans	1,147,176	0	1,147,176
Internal Balance	(550,625)	550,625	0
Inventory of Supplies at Cost	77,411	1,510,275	1,587,686
Prepaid Items	142,632	389,181	531,813
Investment in Joint Venture	0	415,601	415,601
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	1,750	1,750
Non-Depreciable Capital Assets	4,900,942	2,758,948	7,659,890
Depreciable Capital Assets, Net	25,144,661	37,940,966	63,085,627
Total Assets	47,743,789	64,948,724	112,692,513
Deferred Outflows of Resources:			
Pension:			
OPERS	1,006,276	1,649,012	2,655,288
OP&F	1,077,488	0	1,077,488
Total Deferred Outflows of Resources	2,083,764	1,649,012	3,732,776
Liabilities:			
Accounts Payable	93,891	1,575,447	1,669,338
Accrued Wages and Benefits	168,990	125,900	294,890
Intergovernmental Payable	6,195	93,384	99,579
Claims Payable	253,587	0	253,587
Matured Bonds and Interest Payable	0	1,750	1,750
Unearned Revenue	0	396,664	396,664
Accrued Interest Payable	12,271	0	12,271
Noncurrent Liabilities:			
Due Within One Year	497,578	297,941	795,519
Due in More Than One Year:			
Net Pension Liability	6,644,043	4,319,168	10,963,211
Other Amounts Due in More Than One Year	4,645,397	1,140,448	5,785,845
Total Liabilities	12,321,952	7,950,702	20,272,654

(Continued)

CITY OF BRYAN, OHIO

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	368,486	0	368,486
Pension:			
OPERS	50,927	83,454	134,381
OP&F	71,839	0	71,839
Total Deferred Inflows of Resources	<u>491,252</u>	<u>83,454</u>	<u>574,706</u>
Net Position:			
Net Investment in Capital Assets	25,965,666	40,271,768	66,237,434
Restricted For:			
Capital Projects	2,144,812	0	2,144,812
Debt Service	174,358	0	174,358
Other Purposes	6,701,053	0	6,701,053
Unrestricted	2,028,460	18,291,812	20,320,272
Total Net Position	<u>\$ 37,014,349</u>	<u>\$ 58,563,580</u>	<u>\$ 95,577,929</u>

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

Statement of Activities
For the Year Ended December 31, 2016

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,398,302	\$ 83,582	\$ 15,441	\$ 0
Leisure Time Activities	1,010,823	68,251	47,003	0
Community Environment	33,877	62,943	0	0
Public Health and Welfare	31,664	23,971	0	0
Transportation	1,433,827	0	398,464	250,000
General Government	3,781,785	857,133	143,649	0
Interest and Fiscal Charges	146,865	0	0	0
Total Governmental Activities	9,837,143	1,095,880	604,557	250,000
Business-Type Activities:				
Water	1,749,074	1,962,393	0	0
Sewer	1,632,608	1,587,364	0	0
Refuse Collection	1,101,453	1,139,798	0	0
Electric Operating	20,235,503	21,232,932	0	0
Communication Operations	2,285,211	2,660,903	0	0
Total Business-Type Activities	27,003,849	28,583,390	0	0
Totals	\$ 36,840,992	\$ 29,679,270	\$ 604,557	\$ 250,000

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 Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,299,279)	\$ 0	\$ (3,299,279)
(895,569)	0	(895,569)
29,066	0	29,066
(7,693)	0	(7,693)
(785,363)	0	(785,363)
(2,781,003)	0	(2,781,003)
(146,865)	0	(146,865)
<u>(7,886,706)</u>	<u>0</u>	<u>(7,886,706)</u>
0	213,319	213,319
0	(45,244)	(45,244)
0	38,345	38,345
0	997,429	997,429
0	375,692	375,692
<u>0</u>	<u>1,579,541</u>	<u>1,579,541</u>
\$ (7,886,706)	\$ 1,579,541	\$ (6,307,165)
389,972	0	389,972
7,345,771	0	7,345,771
799,097	67,267	866,364
293,319	0	293,319
61,442	66,173	127,615
2,000	0	2,000
123,412	0	123,412
(261,306)	261,306	0
<u>8,753,707</u>	<u>394,746</u>	<u>9,148,453</u>
867,001	1,974,287	2,841,288
<u>36,147,348</u>	<u>56,589,293</u>	<u>92,736,641</u>
\$ <u>37,014,349</u>	\$ <u>58,563,580</u>	\$ <u>95,577,929</u>

CITY OF BRYAN, OHIO

**Balance Sheet
Governmental Funds
December 31, 2016**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 5,707,214	\$ 2,181,712	\$ 5,432,429	\$ 13,321,355
Receivables:				
Taxes	1,246,324	0	134,716	1,381,040
Accounts	118,782	0	17,741	136,523
Intergovernmental	151,043	0	266,594	417,637
Interest	3,516	0	2,015	5,531
Loans	0	0	1,147,176	1,147,176
Inventory of Supplies, at Cost	0	0	77,411	77,411
Prepaid Items	97,665	0	44,967	142,632
Total Assets	\$ 7,324,544	\$ 2,181,712	\$ 7,123,049	\$ 16,629,305
Liabilities:				
Accounts Payable	\$ 29,611	\$ 36,900	\$ 27,380	\$ 93,891
Accrued Wages and Benefits Payable	140,868	0	28,122	168,990
Intergovernmental Payable	5,969	0	226	6,195
Total Liabilities	176,448	36,900	55,728	269,076
Deferred Inflows of Resources:				
Unavailable Amounts	438,101	0	199,925	638,026
Property Tax Levy for Next Fiscal Year	368,486	0	0	368,486
Total Deferred Inflows of Resources	806,587	0	199,925	1,006,512
Fund Balance:				
Nonspendable	97,665	0	1,277,699	1,375,364
Restricted	0	2,144,812	5,589,697	7,734,509
Assigned	2,246,779	0	0	2,246,779
Unassigned	3,997,065	0	0	3,997,065
Total Fund Balance	6,341,509	2,144,812	6,867,396	15,353,717
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,324,544	\$ 2,181,712	\$ 7,123,049	\$ 16,629,305

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

***Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016***

Total Governmental Fund Balances \$ 15,353,717

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 30,045,603

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 638,026

The net pension liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - Pension	2,083,764	
Deferred Inflows - Pension	(122,766)	
Net Pension Liability	<u>(6,644,043)</u>	(4,683,045)

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 position. 815,294

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

General Obligation Bonds Payable	(4,079,937)	
Compensated Absences Payable	(1,063,038)	
Accrued Interest Payable	<u>(12,271)</u>	<u>(5,155,246)</u>

Net Position of Governmental Activities \$ 37,014,349

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 7,166,904	\$ 0	\$ 1,219,016	\$ 8,385,920
Intergovernmental Revenues	312,427	250,000	540,411	1,102,838
Charges for Services	313,785	43,000	68,140	424,925
Licenses and Permits	113,985	0	0	113,985
Investment Earnings	35,816	15	19,208	55,039
Special Assessments	0	45,701	0	45,701
Gifts and Donations	47,428	0	159	47,587
Loan Repayments	0	0	34,273	34,273
Fines and Forfeitures	430,696	0	182,204	612,900
All Other Revenue	21,440	0	69,699	91,139
Total Revenues	8,442,481	338,716	2,133,110	10,914,307
Expenditures:				
Current:				
Security of Persons and Property	1,812,326	0	1,062,361	2,874,687
Public Health and Welfare	28,426	0	0	28,426
Leisure Time Activities	877,859	0	0	877,859
Community Environment	0	0	33,877	33,877
Transportation	0	0	773,602	773,602
General Government	3,112,875	0	260,667	3,373,542
Capital Outlay	0	1,501,513	0	1,501,513
Debt Service:				
Principal Retirement	0	0	205,000	205,000
Interest & Fiscal Charges	0	0	153,203	153,203
Total Expenditures	5,831,486	1,501,513	2,488,710	9,821,709
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,610,995	(1,162,797)	(355,600)	1,092,598
Other Financing Sources (Uses):				
Sale of Capital Assets	51,250	0	0	51,250
Transfers In	0	1,500,000	700,000	2,200,000
Transfers Out	(2,124,682)	0	(200,000)	(2,324,682)
Total Other Financing Sources (Uses)	(2,073,432)	1,500,000	500,000	(73,432)
Net Change in Fund Balance	537,563	337,203	144,400	1,019,166
Fund Balance at Beginning of Year	5,803,946	1,807,609	6,747,605	14,359,160
Decrease in Inventory	0	0	(24,609)	(24,609)
Fund Balance End of Year	\$ 6,341,509	\$ 2,144,812	\$ 6,867,396	\$ 15,353,717

See accompanying notes to the basic financial statements

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 Year Ended December 31, 2016***

Net Change in Fund Balances - Total Governmental Funds \$ 1,019,166

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 outlay exceeded depreciation in the current period.

Capital Outlay	1,525,668	
Depreciation Expense	(1,465,445)	60,223

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

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.		(88,024)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		44,740
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		489,815
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(872,014)
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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 position.

General Obligation Bond Principal Payment	205,000	
Amortization of Bond Premium	5,996	210,996

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		342
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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	105,392	
Change in Inventory	(24,609)	80,783

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.

(79,026)

<i>Change in Net Position of Governmental Activities</i>		<u>\$ 867,001</u>
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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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,033,435	\$ 1,091,156	\$ 1,064,440	\$ (26,716)
Intergovernmental Revenue	311,345	328,735	314,523	(14,212)
Charges for Services	263,436	278,150	305,092	26,942
Licenses and Permits	106,071	111,996	113,474	1,478
Investment Earnings	25,572	27,000	32,979	5,979
Gifts and Donations	12,596	13,300	46,658	33,358
Fines and Forfeitures	392,194	414,100	441,054	26,954
All Other Revenues	12,763	13,475	18,881	5,406
Total Revenues	2,157,412	2,277,912	2,337,101	59,189
Expenditures:				
Current:				
Security of Persons and Property	2,273,602	2,330,320	1,932,535	397,785
Public Health and Welfare	34,583	35,446	29,395	6,051
Leisure Time Activities	1,095,631	1,122,962	931,273	191,689
General Government	3,631,346	3,721,934	3,086,601	635,333
Total Expenditures	7,035,162	7,210,662	5,979,804	1,230,858
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,877,750)	(4,932,750)	(3,642,703)	1,290,047
Other Financing Sources (Uses):				
Sale of Capital Assets	3,000	3,000	51,250	48,250
Transfers In	3,400,000	3,400,000	3,400,000	0
Total Other Financing Sources (Uses):	3,403,000	3,403,000	3,451,250	48,250
Net Change in Fund Balance	(1,474,750)	(1,529,750)	(191,453)	1,338,297
Fund Balance at Beginning of Year	1,294,817	1,294,817	1,294,817	0
Prior Year Encumbrances	270,526	270,526	270,526	0
Fund Balance at End of Year	\$ 90,593	\$ 35,593	\$ 1,373,890	\$ 1,338,297

See accompanying notes to the basic financial statements

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CITY OF BRYAN, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Refuse Collection
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,660,958	\$ 1,146,111	\$ 171,048
Accounts Receivable	254,444	219,253	169,007
Interest Receivable	749	390	70
Inventory of Supplies at Cost	195,460	15,450	0
Prepaid Items	32,821	31,796	18,097
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	1,750	0
Total Current Assets	<u>2,144,432</u>	<u>1,414,750</u>	<u>358,222</u>
Noncurrent Assets:			
Investment in Joint Venture	0	0	0
Capital Assets, Net	5,751,726	13,875,028	240,138
Total Noncurrent Assets	<u>5,751,726</u>	<u>13,875,028</u>	<u>240,138</u>
Total Assets	<u>7,896,158</u>	<u>15,289,778</u>	<u>598,360</u>
Deferred Outflows of Resources			
Pension:			
OPERS	348,499	173,279	180,002
Total Deferred Outflows of Resources	<u>348,499</u>	<u>173,279</u>	<u>180,002</u>
Liabilities			
Current Liabilities:			
Accounts Payable	10,064	64,384	3,814
Accrued Wages and Benefits	21,099	14,930	10,663
Intergovernmental Payable	949	246	9,319
Claims Payable	0	0	0
Unearned Revenue	0	0	0
Matured Bonds and Interest Payable	0	1,750	0
Compensated Absences Payable - Current	44,882	32,251	10,778
OWDA Loans Payable - Current	0	72,954	0
Total Current Liabilities	<u>76,994</u>	<u>186,515</u>	<u>34,574</u>
Noncurrent Liabilities:			
OWDA Loans Payable	0	355,192	0
Compensated Absences Payable	145,271	103,366	24,559
Net Pension Liability	912,804	453,860	471,468
Total Noncurrent Liabilities	<u>1,058,075</u>	<u>912,418</u>	<u>496,027</u>
Total Liabilities	<u>1,135,069</u>	<u>1,098,933</u>	<u>530,601</u>

CITY OF BRYAN, OHIO

Electric Operating	Communication Operations	Total	Governmental Activities - Internal Service Funds
\$ 12,803,046	\$ 1,814,403	\$ 17,595,566	\$ 1,618,714
2,800,019	335,947	3,778,670	128
5,189	744	7,142	664
1,299,365	0	1,510,275	0
292,404	14,063	389,181	0
0	0	1,750	0
17,200,023	2,165,157	23,282,584	1,619,506
415,601	0	415,601	0
17,249,736	3,583,286	40,699,914	0
17,665,337	3,583,286	41,115,515	0
34,865,360	5,748,443	64,398,099	1,619,506
839,085	108,147	1,649,012	0
839,085	108,147	1,649,012	0
1,376,645	120,540	1,575,447	0
63,217	15,991	125,900	0
63,831	19,039	93,384	0
0	0	0	253,587
0	396,664	396,664	0
0	0	1,750	0
116,831	20,245	224,987	0
0	0	72,954	0
1,620,524	572,479	2,491,086	253,587
0	0	355,192	0
429,106	82,954	785,256	0
2,197,773	283,263	4,319,168	0
2,626,879	366,217	5,459,616	0
4,247,403	938,696	7,950,702	253,587

(Continued)

CITY OF BRYAN, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Refuse Collection
Deferred Inflows of Resources			
Pension:			
OPERS	17,638	8,769	9,109
Total Deferred Inflows of Resources	<u>17,638</u>	<u>8,769</u>	<u>9,109</u>
Net Position			
Net Investment in Capital Assets	5,751,726	13,446,882	240,138
Unrestricted	<u>1,340,224</u>	<u>908,473</u>	<u>(1,486)</u>
Total Net Position	<u>\$ 7,091,950</u>	<u>\$ 14,355,355</u>	<u>\$ 238,652</u>

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

Net Position of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

<u>Electric Operating</u>	<u>Communication Operations</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
42,465	5,473	83,454	0
<u>42,465</u>	<u>5,473</u>	<u>83,454</u>	<u>0</u>
17,249,736	3,583,286	40,271,768	0
14,164,841	1,329,135	17,741,187	1,365,919
<u>\$ 31,414,577</u>	<u>\$ 4,912,421</u>	<u>\$ 58,012,955</u>	<u>\$ 1,365,919</u>
		550,625	
		<u>\$ 58,563,580</u>	

CITY OF BRYAN, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Refuse Collection
Operating Revenues:			
Charges for Services	\$ 1,916,044	\$ 1,430,880	\$ 1,078,780
Other Operating Revenues	8,336	155,413	56,725
Total Operating Revenues	<u>1,924,380</u>	<u>1,586,293</u>	<u>1,135,505</u>
Operating Expenses:			
Personal Services	1,206,402	629,229	646,175
Contractual Services	217,830	200,856	369,948
Materials and Supplies	71,625	115,648	43,965
Health Insurance Claims	0	0	0
Depreciation	250,143	673,105	41,365
Other Operating Expenses	3,074	0	0
Total Operating Expenses	<u>1,749,074</u>	<u>1,618,838</u>	<u>1,101,453</u>
Operating Income (Loss)	175,306	(32,545)	34,052
Non-Operating Revenue (Expenses):			
Interest Income	7,010	3,309	693
Interest and Fiscal Charges	0	(13,770)	0
Loss from Joint Venture	0	0	0
Loss on Disposal of Capital Assets	0	0	0
Other Local Taxes	0	0	0
Other Nonoperating Revenue	38,013	1,071	4,293
Total Non-Operating Revenues (Expenses)	<u>45,023</u>	<u>(9,390)</u>	<u>4,986</u>
Income (Loss) Before Transfers and Contributions	220,329	(41,935)	39,038
Transfers and Contributions:			
Transfers In	0	124,682	0
Capital Contributions	0	136,624	0
Total Transfers and Contributions	<u>0</u>	<u>261,306</u>	<u>0</u>
Change in Net Position	220,329	219,371	39,038
Net Position Beginning of Year	<u>6,871,621</u>	<u>14,135,984</u>	<u>199,614</u>
Net Position End of Year	<u>\$ 7,091,950</u>	<u>\$ 14,355,355</u>	<u>\$ 238,652</u>

Change in Net Position - Total Enterprise Funds

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

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

Electric Operating	Communication Operations	Total	Governmental Activities - Internal Service Funds
\$ 20,867,163	\$ 2,519,923	\$ 27,812,790	\$ 2,635,878
<u>342,682</u>	<u>78,000</u>	<u>641,156</u>	<u>0</u>
<u>21,209,845</u>	<u>2,597,923</u>	<u>28,453,946</u>	<u>2,635,878</u>
2,771,517	337,117	5,590,440	0
15,748,738	1,593,182	18,130,554	0
303,571	36,865	571,674	0
0	0	0	2,801,142
1,222,646	316,021	2,503,280	0
<u>99,454</u>	<u>1,820</u>	<u>104,348</u>	<u>0</u>
<u>20,145,926</u>	<u>2,285,005</u>	<u>26,900,296</u>	<u>2,801,142</u>
1,063,919	312,918	1,553,650	(165,264)
48,815	6,346	66,173	6,403
0	(206)	(13,976)	0
(39,386)	0	(39,386)	0
(9,742)	0	(9,742)	0
67,267	0	67,267	0
<u>62,473</u>	<u>62,980</u>	<u>168,830</u>	<u>0</u>
<u>129,427</u>	<u>69,120</u>	<u>239,166</u>	<u>6,403</u>
1,193,346	382,038	1,792,816	(158,861)
0	0	124,682	0
<u>0</u>	<u>0</u>	<u>136,624</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>261,306</u>	<u>0</u>
1,193,346	382,038	2,054,122	(158,861)
<u>30,221,231</u>	<u>4,530,383</u>	<u>55,958,833</u>	<u>1,524,780</u>
<u>\$ 31,414,577</u>	<u>\$ 4,912,421</u>	<u>\$ 58,012,955</u>	<u>\$ 1,365,919</u>
		\$ 2,054,122	
		<u>(79,835)</u>	
		<u>\$ 1,974,287</u>	

CITY OF BRYAN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business Type Activities			
	Enterprise Funds			
	Water	Sewer	Refuse Collection	Electric Operating
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,956,039	\$1,520,464	\$1,128,953	\$21,188,166
Cash Payments for Goods and Services	(333,074)	(308,426)	(412,918)	(16,343,690)
Cash Payments to Employees	(1,150,644)	(586,059)	(636,050)	(2,763,097)
Net Cash Provided (Used) by Operating Activities	472,321	625,979	79,985	2,081,379
<u>Cash Flows from Noncapital Financing Activities:</u>				
Other Local Taxes	0	0	0	67,267
Transfers In from Other Funds	0	124,682	0	0
Advances In from Other Funds	0	0	0	294,642
Advances Out to Other Funds	0	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	0	124,682	0	361,909
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Contributions	0	0	0	72,387
Proceeds from the Sale of Capital Assets	4,856	0	0	7,745
OWDA Loan Retirement	0	(70,912)	0	0
Interest and Fiscal Charges	0	(13,770)	0	0
Acquisition and Construction of Assets	(260,430)	(299,972)	(32,782)	(454,490)
Net Cash Used for Capital and Related Financing Activities	(255,574)	(384,654)	(32,782)	(374,358)
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	6,407	2,971	634	44,583
Net Cash Provided by Noncapital Financing Activities	6,407	2,971	634	44,583
Net Increase (Decrease) in Cash and Cash Equivalents	223,154	368,978	47,837	2,113,513
Cash and Cash Equivalents at Beginning of Year	1,437,804	778,883	123,211	10,689,533
Cash and Cash Equivalents at End of Year	\$1,660,958	\$1,147,861	\$171,048	\$12,803,046
<u>Reconciliation of Cash and</u>				
<u>Cash Equivalents per the Statement of Net Position:</u>				
Cash and Cash Equivalents	\$1,660,958	\$1,146,111	\$171,048	\$12,803,046
Cash with Fiscal Agent	0	1,750	0	0
Cash and Cash Equivalents at End of Year	\$1,660,958	\$1,147,861	\$171,048	\$12,803,046

CITY OF BRYAN, OHIO

Communication Operations	Total	Governmental- Activities Internal Service Fund
\$2,602,564	\$28,396,186	\$2,635,750
(1,622,466)	(19,020,574)	(2,713,039)
(359,324)	(5,495,174)	0
<u>620,774</u>	<u>3,880,438</u>	<u>(77,289)</u>
0	67,267	0
0	124,682	0
0	294,642	0
(294,642)	(294,642)	0
<u>(294,642)</u>	<u>191,949</u>	<u>0</u>
0	72,387	0
0	12,601	0
0	(70,912)	0
(206)	(13,976)	0
(48,435)	(1,096,109)	0
<u>(48,641)</u>	<u>(1,096,009)</u>	<u>0</u>
5,741	60,336	5,893
<u>5,741</u>	<u>60,336</u>	<u>5,893</u>
283,232	3,036,714	(71,396)
1,531,171	14,560,602	1,690,110
<u>\$1,814,403</u>	<u>\$17,597,316</u>	<u>\$1,618,714</u>
\$1,814,403	\$17,595,566	\$1,618,714
0	1,750	0
<u>\$1,814,403</u>	<u>\$17,597,316</u>	<u>\$1,618,714</u>

(Continued)

CITY OF BRYAN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	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)	\$175,306	(\$32,545)	\$34,052	\$1,063,919
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	250,143	673,105	41,365	1,222,646
Non-Operating Revenue	32,944	909	4,112	62,586
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:				
(Increase) Decrease in Accounts Receivable	(1,285)	(66,738)	(10,664)	(766,790)
(Increase) Decrease in Inventory	(8,306)	4,004	0	22,629
(Increase) Decrease in Prepaids	(15,814)	(6,637)	(8,717)	3,062
Increase in Deferred Outflows of Resources	(237,211)	(119,188)	(120,792)	(568,402)
Increase (Decrease) in Accounts Payable	(33,129)	2,573	1,069	416,571
Increase (Decrease) in Accrued Wages and Benefits	(5,198)	(2,194)	(4,108)	(12,748)
Increase in Claims Payable	0	0	0	0
Increase (Decrease) in Intergovernmental Payable	(102)	61	(373)	7,910
Increase (Decrease) in Compensated Absences	13,787	15,391	2,941	(35,397)
Increase in Net Pension Liability	294,363	153,717	137,841	650,137
Increase in Deferred Inflows of Resources	6,823	3,521	3,259	15,256
Total Adjustments	<u>297,015</u>	<u>658,524</u>	<u>45,933</u>	<u>1,017,460</u>
Net Cash Provided (Used) by Operating Activities	<u>\$472,321</u>	<u>\$625,979</u>	<u>\$79,985</u>	<u>\$2,081,379</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During 2016 the Sewer Fund received capital contributions from Governmental Funds in the amount of \$136,624.

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

<u>Communication Operations</u>	<u>Total</u>	<u>Governmental- Activities Internal Service Fund</u>
\$312,918	\$1,553,650	(\$165,264)
316,021	2,503,280	0
4,161	104,712	0
480	(844,997)	(128)
0	18,327	0
(3,999)	(32,105)	0
(73,739)	(1,119,332)	0
7,124	394,208	0
176	(24,072)	0
0	0	88,103
1,102	8,598	0
(28,290)	(31,568)	0
82,882	1,318,940	0
1,938	30,797	0
<u>307,856</u>	<u>2,326,788</u>	<u>87,975</u>
<u>\$620,774</u>	<u>\$3,880,438</u>	<u>(\$77,289)</u>

CITY OF BRYAN, OHIO

***Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2016***

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 11,981
Total Assets	<u>11,981</u>
Liabilities:	
Due to Others	<u>11,981</u>
Total Liabilities	<u>\$ 11,981</u>

See accompanying notes to the basic financial statements

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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 city 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, 2016 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 system, and a 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 Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Joint Ventures with Equity Interest: (Continued)

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

2. Joint Venture without Equity Interest:

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

3. Jointly Governed Organizations:

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

American Municipal Power, 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 135 members throughout nine states. AMP purchases and generates electric capacity and energy for sale to its members.

The City's participation in these joint ventures and jointly governed organizations is further disclosed in Note 14 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, deferred outflows/inflows of resources, 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 Year Ended December 31, 2016

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.

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 Year Ended December 31, 2016

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, liabilities, and deferred outflows/inflows of resources 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 position.

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 position 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 Year Ended December 31, 2016

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, current liabilities, deferred outflows/inflows of resources 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, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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 Year Ended December 31, 2016

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, 2016 but which are not intended to finance 2016 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

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.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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 at the fund, department and object 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 2016.

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 Year Ended December 31, 2016

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, department, and object 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 Year Ended December 31, 2016**

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)	\$537,563
Increase (Decrease):	
Accrued Revenues at December 31, 2016 received during 2017	(713,078)
Accrued Revenues at December 31, 2015 received during 2016	870,619
Accrued Expenditures at December 31, 2016 paid during 2017	176,448
Accrued Expenditures at December 31, 2015 paid during 2016	(209,641)
2015 Prepays for 2016	33,172
2016 Prepays for 2017	(97,665)
Outstanding Encumbrances	(293,643)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(495,228)
Budget Basis	<u><u>(\$191,453)</u></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 and repurchase agreements are considered to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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, 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 4, "Cash, Cash Equivalents and Investments." Investment earnings of \$11,984 earned by other funds were credited to the general fund as required by local statute.

The City's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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, 2016, 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.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

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 Position, but they are not reported in the Fund Financial Statements.

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 Position 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 Year Ended December 31, 2016***

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>
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
Ohio Water Development Authority Loans Payable	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 position, "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 Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on 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 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) it employed previously to commit those amounts. The City has no fund balances reported as committed at December 31, 2016.

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 restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 2016.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension amounts on the government-wide and proprietary funds statement of net position. See Note 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position. See Note 10.

U. Fair Market Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” and GASB Statement No. 77 “Tax Abatement Disclosures.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 3 – 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	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Loans Receivable	\$0	\$0	\$1,147,176	\$1,147,176
Prepaid Items	97,665	0	44,967	142,632
Supplies Inventory	0	0	77,411	77,411
Unclaimed Funds	0	0	8,145	8,145
Total Nonspendable	<u>97,665</u>	<u>0</u>	<u>1,277,699</u>	<u>1,375,364</u>
Restricted:				
Street Improvements	0	0	870,557	870,557
Court Computer Improvements	0	0	297,311	297,311
Community Development and Improvement	0	0	289,463	289,463
Pollution Remediation	0	0	55,000	55,000
Drug and Alcohol Treatment and Education	0	0	288,585	288,585
Court Special Projects	0	0	238,247	238,247
Adult Probation Program	0	0	55,093	55,093
Law Enforcement	0	0	19,571	19,571
Railroad Crossing Improvement	0	0	1,000	1,000
Fire Department Operations	0	0	2,362,898	2,362,898
Fire Vehicle Purchase	0	0	925,343	925,343
Debt Service Payments	0	0	186,629	186,629
Capital Acquisition and Construction	0	2,144,812	0	2,144,812
Total Restricted	<u>0</u>	<u>2,144,812</u>	<u>5,589,697</u>	<u>7,734,509</u>
Assigned:				
Subsequent Year's Budget Deficit	1,983,544	0	0	1,983,544
Encumbrances	263,235	0	0	263,235
Total Assigned	<u>2,246,779</u>	<u>0</u>	<u>0</u>	<u>2,246,779</u>
Unassigned:				
	<u>3,997,065</u>	<u>0</u>	<u>0</u>	<u>3,997,065</u>
Total Fund Balances	<u>\$6,341,509</u>	<u>\$2,144,812</u>	<u>\$6,867,396</u>	<u>\$15,353,717</u>

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

Category 2 consists of "inactive" funds - those funds not required for use within the current 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 Year Ended December 31, 2016**

NOTE 4 - 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 \$21,634,068 and the bank balance was \$21,613,199. Federal depository insurance covered \$18,702,980 of the bank balance and \$2,910,219 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	\$2,910,219
Total Balance	\$2,910,219

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, 2016 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	\$10,912,028	AAAm ¹	\$10,912,028	\$0	\$0
Total Investments	\$10,912,028		\$10,912,028	\$0	\$0

¹ Standard & Poor’s

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 4 - 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 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) which 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	\$32,549,366	\$0
Less: Petty Cash	(3,270)	
Investments:		
STAR Ohio	<u>(10,912,028)</u>	<u>10,912,028</u>
Per GASB Statement No. 3	<u>\$21,634,068</u>	<u>\$10,912,028</u>

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, 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 2012. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Bryan. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2016 was \$2.80 per \$1,000 of assessed value. The assessed value upon which the 2016 levy was based was \$155,008,630. This amount constitutes \$153,704,320 in real property assessed value and \$1,304,310 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.

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.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
General Fund	\$0	\$2,124,682
Capital Improvement Fund	1,500,000	0
Other Governmental Funds	700,000	200,000
Total Governmental Funds	<u>2,200,000</u>	<u>2,324,682</u>
Proprietary Funds		
Sewer Fund	124,682	0
Total Proprietary Funds	<u>124,682</u>	<u>0</u>
Totals	<u><u>\$2,324,682</u></u>	<u><u>\$2,324,682</u></u>

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 7 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, accounts receivable, loans receivable, interest receivable, and intergovernmental receivables arising from shared revenues.

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CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 8 – TAX ABATEMENTS

As of December 31, 2016, the City provides tax incentives under two (2) programs. The Community Reinvestment Area (CRA) and the Economic Development Job Creation and Retention Program.

Real Estate Tax Abatement

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is the information relevant to the disclosure of those programs for the year ending December 31, 2016.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated (Incentives Abated) For the year 2016 (In Actual Dollars)</u>
<i>Community Reinvestment Area (CRA)</i>	
Manufacturing	\$12,514
Retail	944
	<u>\$13,458</u>

Income Tax Abatement Program

The City created the Bryan Municipal Job Creation Income Tax Incentive Program in 2007. The purpose of the program is to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code 718 and the applicable City ordinance, the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. Also, the time period of the incentive in years, is determined by how many new jobs are created by the company. The tax abatement incentive to a new business or expanding business with new payroll of a minimum of \$200,000 is at a percentage up to 50% of income tax paid on new payroll for a period of 3 to 10 years. There is one (1) business with an active tax abatement agreement in place through 2018; however, in 2016, no income taxes were abated for said business.

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Capital assets not being depreciated:				
Land	\$4,905,684	\$0	(\$4,742)	\$4,900,942
Capital assets being depreciated:				
Buildings	18,551,831	183,775	(67,369)	18,668,237
Improvements Other than Buildings	3,990,577	76,763	0	4,067,340
Infrastructure	15,861,971	1,062,640	(85,563)	16,839,048
Machinery and Equipment	6,264,198	202,490	(197,189)	6,269,499
Total Cost	<u>\$49,574,261</u>	<u>\$1,525,668</u>	<u>(\$354,863)</u>	<u>\$50,745,066</u>

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings	(\$5,438,235)	(\$457,537)	\$51,369	(\$5,844,403)
Improvements Other than Buildings	(2,075,829)	(147,712)	0	(2,223,541)
Infrastructure	(8,037,874)	(546,762)	76,676	(8,507,960)
Machinery and Equipment	(3,948,919)	(313,434)	138,794	(4,123,559)
Total Accumulated Depreciation	<u>(\$19,500,857)</u>	<u>(\$1,465,445) *</u>	<u>\$266,839</u>	<u>(\$20,699,463)</u>
Net Value:	<u>\$30,073,404</u>			<u>\$30,045,603</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$395,028
Public Health and Welfare	2,409
Leisure Time Activities	156,956
Transportation	669,804
General Government	241,248
Total Depreciation Expense	<u>\$1,465,445</u>

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$2,400,485	\$0	\$0	\$2,400,485
Construction in Progress	75,112	338,782	(55,431)	358,463
Subtotal	<u>2,475,597</u>	<u>338,782</u>	<u>(55,431)</u>	<u>2,758,948</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	15,648,395	141,995	(13,716)	15,776,674
Infrastructure	35,373,974	500,094	(116,926)	35,757,142
Machinery and Equipment	47,146,112	317,424	(45,811)	47,417,725
Total Cost	<u>\$100,644,078</u>	<u>\$1,298,295</u>	<u>(\$231,884)</u>	<u>\$101,710,489</u>

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings and Improvements	(\$8,509,604)	(\$437,996)	\$8,573	(\$8,939,027)
Infrastructure	(12,426,416)	(913,235)	107,476	(13,232,175)
Machinery and Equipment	(37,730,241)	(1,152,049)	42,917	(38,839,373)
Total Accumulated Depreciation	<u>(\$58,666,261)</u>	<u>(\$2,503,280)</u>	<u>\$158,966</u>	<u>(\$61,010,575)</u>

Net Value:

	<u>\$41,977,817</u>			<u>\$40,699,914</u>
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CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$610,992 for 2016.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$258,267 for 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,954,856	\$4,008,355	\$10,963,211
Proportion of the Net Pension Liability-2016	0.040152%	0.062309%	
Proportion of the Net Pension Liability-2015	<u>0.040664%</u>	<u>0.059753%</u>	
Percentage Change	<u>(0.000512%)</u>	<u>0.002556%</u>	
Pension Expense	\$915,613	\$566,250	\$1,481,863

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,044,296	\$652,407	\$2,696,703
Change in Proportionate Share	0	166,814	166,814
City contributions subsequent to the measurement date	<u>610,992</u>	<u>258,267</u>	<u>869,259</u>
Total Deferred Outflows of Resources	<u>\$2,655,288</u>	<u>\$1,077,488</u>	<u>\$3,732,776</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$134,381	\$11,255	\$145,636
Change in Proportionate Share	<u>0</u>	<u>60,584</u>	<u>60,584</u>
Total Deferred Inflows of Resources	<u>\$134,381</u>	<u>\$71,839</u>	<u>\$206,220</u>

\$869,259 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$447,107	\$190,097	\$637,204
2018	479,796	190,097	669,893
2019	520,387	190,097	710,484
2020	462,625	155,316	617,941
2021	0	18,299	18,299
2022	<u>0</u>	<u>3,476</u>	<u>3,476</u>
Total	<u>\$1,909,915</u>	<u>\$747,382</u>	<u>\$2,657,297</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$11,080,786	\$6,954,856	\$3,474,766

Changes between Measurement Date and Report Date - In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2015 are summarized below:

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

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$5,286,484	\$4,008,355	\$2,925,655

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 11 - 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 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 2016, 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.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were \$107,956, \$110,554 and \$105,014, respectively, which were equal to the required contributions for each year.

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.

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. That report is also available on OP&F’s website at www.op-f.org.

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.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. 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, 2016, 2015, and 2014 were \$4,871, \$5,583 and \$4,695 for police and \$1,557, \$1,646 and \$1,044 for firefighters, respectively, which were equal to the required contributions for each year.

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CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

Long-term debt and other long-term obligations of the City at December 31, 2016 follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Amount Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
2.0-4.0%	Police and Fire Building Bond Premium	2031	\$4,195,000	\$0	(\$205,000)	\$3,990,000	\$210,000
			95,933	0	(5,996)	89,937	0
	Total General Obligation Bonds		4,290,933	0	(210,996)	4,079,937	210,000
Net Pension Liability:							
	Ohio Public Employees Retirement System		1,904,306	731,382	0	2,635,688	0
	Ohio Police and Fire Pension Fund		3,095,439	912,916	0	4,008,355	0
	Total Net Pension Liability		4,999,745	1,644,298	0	6,644,043	0
	Compensated Absences		1,168,430	195,382	(300,774)	1,063,038	287,578
	Total Governmental Activities		10,459,108	1,839,680	(511,770)	11,787,018	497,578
Business-Type Activities:							
	Ohio Water Development Authority Loan						
2.86%	Sanitary Sewer Overflow Eliminator	2022	499,058	0	(70,912)	428,146	72,954
Net Pension Liability:							
	Ohio Public Employees Retirement System		3,000,228	1,318,940	0	4,319,168	0
	Compensated Absences		1,041,811	208,480	(240,048)	1,010,243	224,987
	Total Business-Type Activities		4,541,097	1,527,420	(310,960)	5,757,557	297,941
	Total Other Long-Term Obligations		\$15,000,205	\$3,367,100	(\$822,730)	\$17,544,575	\$795,519

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.

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.

CITY OF BRYAN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

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 has authorized an Ohio Water Development Authority loan in the amount of \$731,977 for a sanitary sewer overflow project. The loan has an interest rate of 2.86% and matures in 2022. 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, 2016 were as follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>OWDA Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$210,000	\$147,250	\$72,954	\$11,727
2018	215,000	140,950	75,057	9,625
2019	220,000	134,500	77,218	7,464
2020	230,000	127,900	79,442	5,240
2021	235,000	121,000	81,730	2,951
2022-2026	1,300,000	473,500	41,745	597
2027-2031	1,580,000	194,600	0	0
Totals	<u>\$3,990,000</u>	<u>\$1,339,700</u>	<u>\$428,146</u>	<u>\$37,604</u>

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 13 - RISK MANAGEMENT

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

The City established a Self-Insurance Fund (internal service fund) to account for and finance its health and dental uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$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 and vision care program (VSP) 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 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. Cyber security insurance is included as a separate policy. 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 \$253,587 reported in the fund at December 31, 2016 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 2015 and 2016 were:

Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Year End
2015	\$313,244	\$2,272,217	(\$2,419,977)	\$165,484
2016	165,484	2,801,142	(2,713,039)	253,587

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 14 - 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 city of Holiday City. The Omega JV-4 was created for that purpose. On dissolution of the joint venture, the net position 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 \$350,166 at December 31, 2016. Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) - The City 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 position 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, 2016, the City has met their debt coverage obligation.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 14 - 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

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 \$65,435 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 14 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION (Continued)

B. Joint Venture without Equity Interest

Multi-Area Narcotics Task Force (the Task Force) - The City 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 \$25,000 to the Task Force in 2016. 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 2016, the City paid administrative fees of \$17,913 to MVPO.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 15 – PURCHASE COMMITMENTS

A. Prairie State Project

On December 20, 2007, AMP acquired 368,000 kW or an effective 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), 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.

On June 12, 2012, Unit 1 of the PSEC began commercial operation and on November 2, 2012 Unit 2 of the PSEC began commercial operation.

The City of Bryan has executed a take-or-pay power sales contract with AMP for a Project Share of 7,500 kW or 2.04% kW of capacity and associated energy from the Prairie State facility.

AMP sells 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 Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. 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.

AMP’s share of the total Project costs, including AMP’s share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt. These costs include (i) AMP’s costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project. As of December 31, 2016 the outstanding obligation on Prairie State project is \$1,576,845,000.

B. American Municipal Power Generating Station (AMPGS)

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City’s share was 7,500 kilowatts of a total 771,281 kilowatts, giving the City a 0.97 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 15 – PURCHASE COMMITMENTS (Continued)

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

As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share of the impaired costs at March 31, 2014 was \$1,284,827. The City received a credit of \$567,937 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$339,186 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). Additionally, the City made payments of \$727,097, leaving an estimated net credit balance of impaired costs of \$349,393. The City has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the City's credit balance. These amounts will be recorded as they become estimable.

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

Since March 31, 2014, the City's allocation of additional costs incurred by the project is \$13,069, and interest on the credit balance credited to the City has been \$9,932, resulting in a net credit balance at November 30, 2016 of \$346,256. The City does have a potential PHFU Liability of \$348,875 resulting in a net total potential liability of \$2,619, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 15 – PURCHASE COMMITMENTS (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, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively in 2009. Ground breaking ceremonies were held for Cannelton on August 25, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010 and ground breaking ceremonies took place on July 21, 2011.

The City of Bryan has executed a take-or-pay power sales contract with AMP for a Project Share of 1,800 kW or 0.87% of capacity and associated energy from the hydro facilities.

The Cannelton Hydro Project (88MW), now in operation as of 2016, is located on the Kentucky shore of the Cannelton Locks and Dam on federal land. AMP has a FERC license for the project that expires May 31, 2041. The hydro project diverts water from the locks and dam through bulb turbines, which have a horizontal shaft and Kaplan-type turbines. The site includes an intake channel, a reinforced concrete powerhouse (to house turbine and 3 generator units), and a tailrace or downstream channel.

The Willow Island Hydro Project, 44MW, now in operation, diverts water from the existing Willow Island Locks and Dam through bulb turbines. The FERC license for the Willow Project expires August 31, 2030. Average gross annual output is 279 million kWh. The powerhouse houses two horizontal 29.3 MW bulb type turbines and generating units.

The Smithland Hydro Project (76MW) is located 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland project has a FERC license that expires May 31, 2038. The powerhouse houses three horizontal 29.3 MW bulb type turbines and generating units. Average gross annual output is 379 million kWh. AMP expects the three unit Smithland Hydro Project (76MW) to be in commercial operation by second quarter or early third quarter of 2017.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 15 – PURCHASE COMMITMENTS (Continued)

C. Hydroelectric Projects (Continued)

Please note that these projected commercial operation dates set forth above are, and the other information herein is, subject to change and are dependent on a number of factors affecting each Project's overall remaining construction schedule, including weather. As a result, the commercial operation dates may occur earlier or later than the time frames set forth above.

On February 12, 2015, AMP reached agreement with Barnard Construction Company, Inc. ("Barnard") to serve as the replacement powerhouse contractor on AMP's Smithland Hydroelectric Project ("Smithland Project"), which is one of the three projects constituting the Combined Hydroelectric Projects replacing C.J. Mahan whose contract was terminated by mutual agreement between AMP and C.J. Mahan. Barnard is a highly experienced hydropower construction contractor. AMP and Barnard are working together to achieve an orderly transition of the Smithland Project from the prior powerhouse contractor. Nearly all of the subcontractors currently working on the Smithland Project have been retained. The Project Engineer, MWH Americas, Inc., all owner furnished equipment suppliers and all other prime contractors remain in place.

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.

AMP issued the Combined Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the "Series 2016A Bonds") for \$209,530,000 on October 6, 2016. The bonds will finance final completion costs and also reimbursement to the AMP credit line, which provided interim financing for costs related to the construction of the three run-of the-river hydroelectric facilities (8 units) along the Ohio River, fund a deposit to the Parity Common Reserve Account, deposit to Escrow Account and pay the cost of issuance of the Series 2016A. The purpose of the "Green bonds" label is to allow investors to invest in an environmentally beneficial project.

As of December 31, 2016 the total outstanding Hydro Project debt on AMP's books is approximately \$2,175,339,706.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 15 – PURCHASE COMMITMENTS (Continued)

D. Meldahl Hydroelectric Project and Greenup

AMP constructed a three unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing dam, on the Ohio River, constructed by the United States Army Corps of Engineers and of related equipment and associated transmission facilities (the “Meldahl Project”). Now that the Meldahl Project has entered commercial operation, it has a generating capacity of approximately 105 MW. The City of Hamilton, Ohio, a Member of AMP and a participant in the Meldahl Project, and AMP hold, as co-licensees, the Federal Energy Regulatory Commission license to operate the Meldahl Project.

In June 2008, Hamilton received a FERC license to operate a hydroelectric generation facility to be constructed on the Captain Anthony Meldahl Locks Dam, an existing dam on the Ohio River (“Meldahl Project”). In March 2009, AMP and Hamilton executed a series of agreements (the “AMP-Hamilton Agreements”) pursuant to which AMP committed to finance the development and the construction of Meldahl Project and to acquire within 60 days of the date on which Meldahl Project entered commercial operation, a 48.6% undivided ownership interest in the Greenup Facility (the “AMP Interest”).

The City of Bryan has executed a take-or-pay power sales contract with AMP for a Project Share of 1,386 kW or 1.32% of capacity and associated energy from the Meldahl Project.

Pursuant to the various agreements between Hamilton and AMP, the Meldahl Project is owned by Meldahl, LLC, a single member, Delaware not-for-profit limited liability company (“Meldahl, LLC”). AMP is the sole member of Meldahl, LLC and appoints three members of its Board of Directors (the Meldahl Board). AMP, acting as agent of Meldahl LLC, has financed the development, acquisition, construction and equipping of the Meldahl Project. In order to finance the construction of the Meldahl Project and related costs, in 2010 and 2011 AMP issued six series of its Meldahl Hydroelectric Project Revenue Bonds (the “Meldahl Bonds”) in the amount of \$685,100,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. The Meldahl Project entered commercial operation on April 12, 2016.

By resolution adopted on June 23, 2016 the AMP Board of Trustees authorized the issuance and sale of the Series 2016A Bonds. AMP issued Meldahl Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the “Series 2016A Bonds”) in the amount of \$80,050,000 on July 27, 2016. The proceeds of which were utilized to make a deposit to the Construction Account to retire balances held for the costs and expenses associated with the Project on AMP’s line of credit, fund a deposit to the Parity Common Reserve Account and pay the cost of issuance of the Series 2016A.

As of December 31, 2016, the outstanding debt for the Meldahl Hydroelectric Projects facility on AMP’s books was approximately \$702,370,000.

CITY OF BRYAN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 15 – PURCHASE COMMITMENTS (Continued)

E. AMP Fremont Energy Center

In February 3, 2011 American Municipal Power, Inc. (AMP) entered into a non-binding memorandum of understanding (MOU) with FirstEnergy Corp. regarding the Fremont Energy Center (“AFEC”). AFEC is a 707 MW natural gas fired combined cycle generation plant with a Base Capacity of 512 MW, located near the city of Fremont, Ohio. The closing date to purchase was July 28, 2011. AMP's acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

To provide permanent financing for the AFEC Project on June 29, 2012 AMP issued in two series \$546,085,000 of its AMP Fremont Center Project Revenue Bonds consisting of taxable and tax-exempt obligations to (i) with other available funds, to repay the \$600,000,000 principal amount of an interim loan that financed the acquisition of the AMP Fremont Energy Center (“AFEC”) and development costs and completion of construction and commissioning of AFEC; (ii) to make deposits to the Construction Accounts under the Indenture to finance additional capital expenditures allocable to AMP’s 90.69% undivided ownership interest in AFEC; (iii) to fund deposits to certain reserve accounts; and (iv) to pay the costs of issuance of the Series 2012 Bonds.

The City of Bryan has executed a take-or-pay power sales contract with AMP for a Project Share of 5,285 kW or 1.14% of capacity and associated energy from the AFEC facility.

On January 21, 2012 the AMP Fremont Energy Center ("AFEC") began commercial operation. The total cost of construction of the AFEC at the date it was placed in service was \$582,200,642. This amount included a development fee of \$35,535,448 paid by AFEC participants for the account of AMP Generating Station participants who are also AFEC participants. The amount was previously recorded as a noncurrent regulatory asset at December 31, 2011. In June 2012, AMP sold 26.419 MW or 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency ("MPPA") and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC") for the output of a 21.248 MW or 4.15% interest in AFEC. AMP has sold the output of the remaining 464.355 MW or 90.69% interest to the AFEC participants, which consist of the 87 members, pursuant to a take-or-pay power sales contract. As of August 31, 2016 the outstanding obligation on the Fremont Energy Center (“AFEC”) on AMP’s books is \$520,620,000.

As of December 31, 2016 the outstanding AMP’s outstanding debt for the AFEC Project was approximately \$520,620,000.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 16 - CONTINGENCIES

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

NOTE 17 – OPERATING LEASES

The Electric Fund leases the fiber-coax plant to the Communication Operations Fund, which uses part of this infrastructure to deliver its services. The Communication Operations Fund initially paid the Electric Fund \$9 per month for each internet customer and \$3 per month for each cable customer.

Following an annual review, it was determined that the fiber-coax plant lease payment would be reduced in an effort to accelerate the payoff on the Communications loan from the Electric Department. As such, lease payments of \$12,337 were applied against the fiber-coax plant lease in 2016. Per Resolution 59, 2009, the Communications Department has a maximum term of 10 years for payment on the remainder of the lease to make the Electric Department whole.

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>
2017	\$56,667
2018	56,667
2019	56,667
2020	56,667
2021	56,667
2022	113,329
Total	<u><u>\$396,664</u></u>

The cost of the fiber optic extension is \$327,423, with a 50 year life and accumulated depreciation of \$55,661 at December 31, 2016.

CITY OF BRYAN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 18 – SIGNIFICANT COMMITMENTS

At December 31, 2016 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$296,051
Capital Improvement Fund	229,939
Other Governmental Funds	<u>196,021</u>
Total Governmental Funds	<u><u>\$722,011</u></u>

The City had the following contractual commitments at December 31, 2016:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
Miscellaneous Sewer Projects	\$157,204	June 2017
Bridge at Fire Training Range	165,420	June 2017
North Lewis Avenue Water Main Replacement	26,779	April 2017
Meeting Room Remodel	18,500	April 2017
Baseball Concession	37,000	May 2017
Wastewater Project Design	<u>39,178</u>	July 2018
	<u><u>\$444,081</u></u>	

NOTE 19 - 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, 2016, the outstanding bonds have a principal amount payable of \$8,313,461.

CITY OF BRYAN, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BRYAN, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Three Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.040664%	0.040664%	0.040152%
City's proportionate share of the net pension liability (asset)	\$4,793,756	\$4,904,534	\$6,954,856
City's covered-employee payroll	\$5,359,108	\$4,985,875	\$4,997,317
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.45%	98.37%	139.17%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.059753%	0.059753%	0.062309%
City's proportionate share of the net pension liability (asset)	\$2,910,144	\$3,095,439	\$4,008,355
City's covered-employee payroll	\$1,242,620	\$1,259,691	\$1,333,857
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	234.19%	245.73%	300.51%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF BRYAN, OHIO

Schedule of City Contributions Last Four Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$696,684	\$598,305	\$599,678	\$610,992
Contributions in relation to the contractually required contribution	<u>696,684</u>	<u>598,305</u>	<u>599,678</u>	<u>610,992</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,359,108	\$4,985,875	\$4,997,317	\$5,091,600
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$193,816	\$249,681	\$267,305	\$258,267
Contributions in relation to the contractually required contribution	<u>193,816</u>	<u>249,681</u>	<u>267,305</u>	<u>258,267</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$1,242,620	\$1,259,691	\$1,333,857	\$1,285,543
Contributions as a percentage of covered-employee payroll	15.60%	19.82%	20.04%	20.09%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

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Dave Yost • Auditor of State

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

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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 14, 2017



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
OCTOBER 5, 2017